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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2433



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BULGARIA

INDUSTRIAL OUTPUT DURING JANUARY-MAY 1983, COMMENT

Sofia IKONOMICIESKI ZHIVOT in Bulgarian 22 Jun 83 p 4

[Report by the Committee for Unified Social Information: "Bulgarian Industry During the Period of January-May 1983"]

[Text] The state planned tasks for the production of a number of commodities important to the national economy were carried out during the January-May period. Compared to the corresponding period in 1982 the volume of output and the growth rates were as follows:

	Output	Growth rate
Electric power, million kw/h.....	18,367	106.4
Lignite briquettes, thousand tons.....	644	101.3
Steel sheets, cold-rolled, thousand tons.....	268	105.4
Steel pipes, thousand tons.....	116	102.2
Engine axles for Liaz-Madara, pieces.....	9,764	134.8
Electric hoists, pieces.....	54,767	102.8
Engine driven trucks, pieces.....	11,332	122.6
Induction motors, thousands.....	523	105.4
Power tools, thousands.....	156	112.3
Electric meters, thousands.....	219	115.9
Nitrogen fertilizers, thousand tons.....	345	104.6
Polyvinylchloride, thousand tons.....	44	136.1
Washing detergents, thousand tons.....	25	112.8
Passenger car tires, thousands.....	340	106.3
Cement, thousand tons.....	2,328	102.3
Large reinforced concrete panels, thousand m ³	615	112.2
Reinforced concrete construction elements, thou. m ³ ..	359	106.2
Coniferous lumber and parts, thousand m ³	295	100.9
Pressed and other wood tiles, thousand m ²	9,654	100.8
Plywood, thousand m ³	23	100.0
Furniture, million leva.....	191	107.9
Cotton fabrics, million meters.....	153	101.5
Silk fabrics, million meters.....	16	107.0
Knitted underwear, thousands.....	31,343	103.0
Meat, thousand tons.....	195	106.7
Meat products, thousand tons.....	41	109.5
Butter, tons.....	10,801	118.4

Cheese, tons.....	50,222	112.1
Kasseri cheese, tons.....	12,601	114.2
Vegetal cooking oils, thousand tons.....	83	103.7
Cooked and semicooked foods, thousand tons.....	21	104.6
Canned vegetables, thousand tons.....	56	115.7
Canned fruits, thousand tons.....	87	102.9
Beer, million liters.....	231	102.8
Nonalcoholic beverages, million liters.....	205	111.9
Processed fermented tobacco, thousand tons.....	64	110.1
Tobacco products, thousand tons.....	39	107.0

During the first 5 months of the year industrial output was 2.5 percent higher than planned; income from goods marketed was 2.1 percent above the planned figure. Compared with the January-May 1982 period, commodity output was 6.3 percent higher and income was 6.7 percent above last year's figure. Within the individual ministries and departments the fulfillment of the 5-month production and marketing plans was as follows:

Ministry and other departmental systems	% of fulfillment for	
	Commodity output	Goods marketed
Total	102.5	102.1
Including:		
Power industry.....	100.8	102.2
Chemical industry.....	100.5	100.8
Metallurgy and mineral resources.....	101.5	100.3
Machine building and electronics.....	102.4	104.0
Light industry.....	100.3	99.2
National Agroindustrial Union.....	105.5	103.4
Forests and forest industry.....	102.5	101.9
Construction and architecture.....	102.4	100.7
Transportation.....	101.0	100.0
Communications.....	105.2	105.2
Internal trade and public services.....	102.1	101.1
Central Cooperative Union.....	104.1	101.9
Sofia City People's Council.....	107.4	107.4

Comment:

The results achieved during the first 5 months of the year show an over-fulfillment of the plan for production, overall profits, net output and social labor productivity. The pace at which production increased in May was higher compared to the 4 previous months.

Output rose considerably as follows: Machine building, electronic and electrical engineering industries, more than 11 percent, and the chemical and rubber industries, more than 8 percent. The food industry, which plays a particularly important role this year in terms of the full utilization of agricultural raw materials, developed at a steady pace. Its output increased by 5 percent during the first 5 months of the year.

The production of electric power, industrial robots and manipulators, buses, electric hoists motor operated trucks, nitrogen fertilizers, polypropylene, polyvinylchloride, washing detergents, furniture, meat and delicatessen, butter, cheese, Kasserli cheese, nonalcoholic beverages, etc. increased during the month.

It must be pointed out, however, that during the month of May as well existing objective possibilities and reserves for reducing material outlays and upgrading production efficiency were not utilized. Material production outlays per 100 leva's worth of output were higher compared with the first 4 months of the year and May 1982. The economic organization in the light industry, forests and forest industry, metallurgy and mineral resource systems produced their commodities with higher material outlays.

Cost overruns totalling some 50 million leva were the result of technological violations and the unsatisfactory maintenance of machines and other equipment between January and May alone. Reducing losses from rejects, which exceeded 40 million leva during the last 5 months, is one of the main reserves for lowering material intensiveness.

Marketing fell behind in May. The monthly plan was not reached by 0.9 percent. All in all, between January and May income from the marketing of commodities increased by 2.1 percent compared with the planned figure. Compared with the goods produced, however, the volume of goods marketed fell by some 3 percent.

The uneven pace of production is one of the reasons for this situation. Thus, in May 41 percent of the commodity output was produced during the last 10 days of the month, as a result of which the income from sales was not received by the producers during the same month.

The elimination of these and other weaknesses in enterprise and in the economic organization of production activities will make it possible not only to fulfill in its entirety the plan for industrial development in 1983 during the second half of the year, but also to meet the criteria and indicators set at the October 1981 Conference. In this respect the main attention should be focused on the efficient use of raw and other materials and production capacities.

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CSO: 2200/110

BULGARIA

REASONS FOR SHORTAGE OF QUALITY DOMESTIC APPLIANCES EXAMINED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 15 Jun 83 p 6

[Article by Todor Kunchev, IKONOMICHESKI ZHIVOT, and Mariya Boyadzhieva, MASHINOSTROITEL: "Initiated Projects Must Be Completed!"]

[Text] Dreams and Reality

It is the cherished dream of every housewife to have a kitchen in which household electrical appliances would not be considered a luxury or a whim but a needed helper. Naturally, this should include an electric cooking range with a timer which would automatically turn the oven on and off, hot plates, automatic dishwasher, vegetable cutting and meat grinding appliances, an automatic mixer for pastries, pastes and creams, an ice cream maker, a juicer which would automatically separate the pulp, an electric baking oven and anything else which facilitates household chores.

However, a great disparity between reality and the requirements of the Bulgarian housewife exists. Our market is not adequate neither in terms of the quantity or the quality of the most popular household electrical appliances. No more than 1 or 2 years ago the Mehta range was an almost unattainable dream. Last season ordinary Elva heaters excited and enthused the customers. Such traditional items are not only in short supply but their quality concerns us as well.

According to Engineer Georgi Paspalev, general director of the Electrical Household Appliances Economic Combine in Varna, the quality of the goods produced is below the standards of the best global examples in terms of a number of technical and operational features related to heat loss, metal intensiveness, ease of repair, design and reliability... It is no accident that last year the service centers earned 1,497,000 leva. In other words the cost of guaranteed services averaged 2.47 leva per 100 leva commodity output.

Long-Awaited Updating

During the last 10 years the household electrical appliances industry rapidly organized the production of series of new items. This trend partially spread to our consumer as well. He is no longer willing to accept any kind of range, water boiler or washing machine in his home but is looking for far more automated appliances which would also be far more energy saving.

Meanwhile, however, the producers of such appliances did not make the proper leap in terms of quality, design or reliability. It is true that they made efforts to catch up. In order to explain this, let us trace the history of the Elprom Plan in Varna.

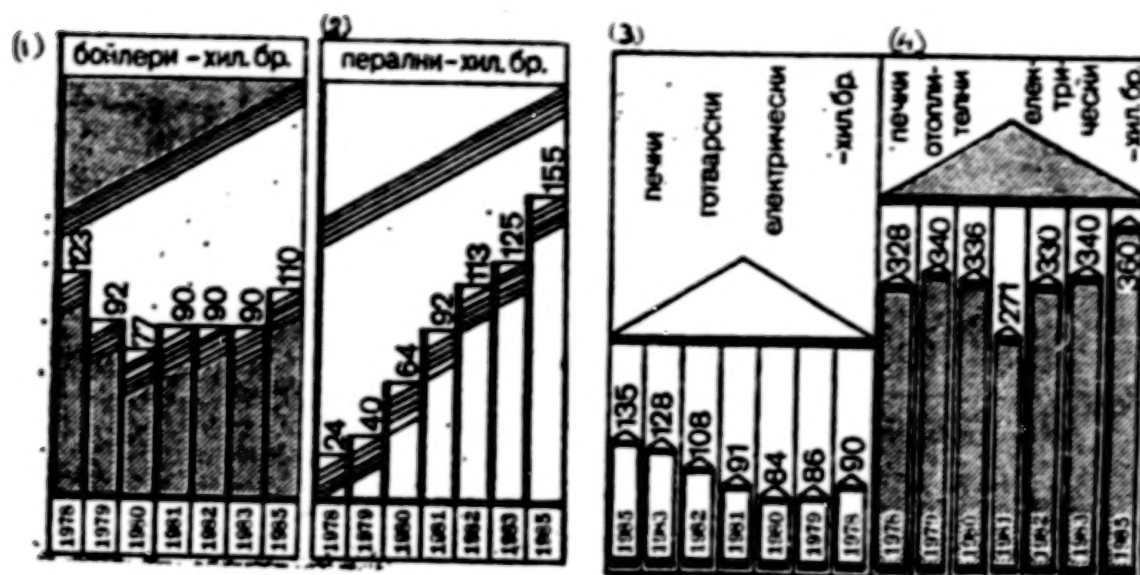
The plant was built 30 years ago without a particularly clear idea as to its future development. It assumed its final and present shape in 1963. Since then its output has increased by a factor of 10; it was updated and the appliances it produced became increasingly complex. This required the installation of new machines and the application of new technologies and a new organization which are literally difficult to fit in the plant's shops. Specialists and workers had to devote almost supreme efforts to design and manufacture modern ranges, automatic washing machines and small electrical appliances.

The plant built some of its production facilities in neighboring settlements in order meet market demand. Initially these started as shops, gradually expanding into plants. That is how the Todor Iliev Provardia heaters and Yunga water heaters, the Ustrem standard washing machines, Smyadovo radiators and heaters, and the Tutrakan Terma cooking and heating stoves plants and the Development and Application Base, operating on the principle of a scientific-production enterprise, came into being.

The development of the system for the production of household electrical appliances has had a difficult and painful history as well. On several occasions the plant changed its structure and its superior economic organization. Having started as an autonomous production unit, it systematically passed under the Committee on Machine Building, the Elprom DSO [State Economic Trust], the Bitova Technika DSO, back to the Elprom DSO and, as of 1978, it became the Economic Combine for Household Electrical Appliances. What is astonishing is that despite such an uneven development it has managed to produce so far 1.3 million cooking ranges, more than 1.3 million water heaters, and almost 1.8 million washing machines, 125,000 of which -- the Perla model -- are automatic. The last 3-4 years have been particularly beneficial in the combine's development (diagram 1). A basic problem is being resolved after a 10-year delay: updating the Elprom Base Plant.

The purpose of the renovation is to replace technologies and equipment, to automate basic production processes and to increase the quantity and quality of the items or, in a word, to surmount the lagging in household electrical appliances. This will be accomplished in two stages. During the first, to be completed by 1985, a new shop for electrostatic painting with a capacity for 100,000 washing machines, a fully automated galvanizing shop and a new automated line for deoiling and phosphating sleeves of washing machines and water heaters will be built. Such highly productive equipment and new technologies will largely eliminate manual labor and create possibilities of doubling or tripling output. This year new progressive technology was installed at the Ustrem Plant in Smyadovo for the production of a new model of oil-burning air heaters, distinguished by their modern design, lesser use of electric power and power controls.

So far, so good. Two basic problems arise, however.



Production of basic items at the SKDE [Economic Combine for Electrical Household Appliances] between 1978 and 1985

1. Water heaters, thousands; 2. Washing machines, thousands; 3. Electric cooking ranges, thousands; 4. Electric heaters, thousands.

We know that if updating is to be effective it must be completed as quickly as possible, in 1 or 2 years. Here, however, preparations were relatively slow, and even though financing was provided and the decision was mostly reached, the organization in charge of the construction and installation work has still not been named. Since the first stage of the renovation or productive capital will take almost 3 years, how long will the second stage take? Will the economic combine find itself once again with obsolete equipment and low labor productivity, bearing in mind the pace of updating of commodities and the development of scientific and technical progress?

As automatic and semiautomatic technological lines and robots for painting and enameling are installed the question arises of does the plant have sufficiently skilled workers to handle such complex equipment. If not, the equipment would not perform and would break down quickly. The hope now rests with the technical schools of electrical machine engineering which should supply specialists with secondary training. This, however, is insufficient. The skills of the workers must be upgraded promptly and the technological discipline of performing workers must be improved.

Problems Will Remain

Still, the consumers are not interested in the objective and subjective factors which determine the development of a plant. All they want is to be able to find in the stores whatever it is they may need for their homes and whatever meets their requirements.

In the future as well the quality and reliability will be achieved through the scientific-application activities of the scientific production enterprise of the combine, which have already yielded good results, and the further basic scientific studies conducted at the integration base by specialists from the Higher Machine Electrical Engineering Institute in Varna. Another fact, however, is that the quality of output is substantially affected by complementing parts produced elsewhere. Some 60 percent of the elements included in the basic items are based on cooperated supplies in the case of automatic washing machines, 61 percent of cooking ranges and 83 percent of electric water heaters. For several years, however, the percentage of defective items has not dropped below the one percent figure and claims filed during and after the guarantee period have increased. According to data provided by service centers the parts which break down most frequently are the electromagnetic valves, thermostats, level controls, heat limit switches, multiple-step switches, etc. The producers of such parts are known. They are the plants in Blagoevgrad, Teteven, Etropole and Mikhaylovgrad, the Kocho Tsvetanov Plant in Plovdiv,, the Instruments Making Plant in Koprivshtitsa, and others.

Despite frequent violations of stipulations regarding the quality and delivery of cooperated items, they continue to occur. Some steps have been taken, such as certification by the rayon standardization center, 100 percent incoming control, and the adoption of a comprehensive quality program which will include workers' suggestions on extending the guarantees covering some electrical appliances. The problem of the quality of cooperated supplies, however, remains unresolved. That is why it would be expedient to convert to a differentiated recording of breakdowns, i.e., determining not only what but also specifically where has an item broken down. It is only on this basis that precise demands and penalties can be imposed. In this sense, the National Party Conference on quality should review contractual relations, incentives and penalties related to violations or observance of relations among economic organizations.

Another recommendation of which both consumers and specialists are aware is bringing service closer to producing enterprises. So far, a firm service base exists in Varna only. It has been confirmed that its existence is very expedient and effective. Perhaps this problem could be resolved on a country-wide basis and regulated through a standard contract between the Ministry of Internal Trade and Public Services and the Ministry of Machine Building and Electronics. Finally, the program on the long-range development of household electrical appliances must be organized on a truly planned basis and made consistent with world standards governing household electrical appliances.

The solution and prompt formulation of problems of fast renovation of the equipment and variety in order to earmark prospective developments and eliminate weaknesses and omissions will lead to improvements in the quality and efficiency of the items. All of this will make it possible to introduce in our homes electrical appliances which will not only make them more comfortable but will facilitate household work even further.

PRICING POLICY CRITICIZED; MORE FLEXIBILITY URGED

Prague RUDE PRAVO in Czech 29 Apr 83 p 5

[Article by Engr Milos Vesely, Czech Office of Price Control: "How To Improve Price Control"]

[Text] Criticism has increased recently concerning the work of price control organs of all levels, including national committees with price control jurisdiction. The target of the critiques are usually seemingly marginal problems of price control policy, such as, for example, lack of elasticity of price control, delays in price fixing, production stoppages because of lack of profitability caused by low prices, some problems of the prices of services, price subsidies designed to stimulate the sales of products of private industry, and so on.

Critique of price control is very desirable to the extent that it is justified, price control organs use it in their activities as a sort of barometer of the response of our citizens and organizations, and they draw the necessary conclusions from it.

However, some people who voice their criticism do so because they are uninformed. By saying this, I am not referring to the ordinary citizen who points out shortcomings and expects rightfully that they will be corrected. He does not necessarily know the regulations in the area of economics. But I would like to react to complaints coming from various economic organizations.

Lack of Elasticity of Price Changes

As early as 1978, the CSSR Government approved a resolution making minor operational changes in wholesale prices during the year in state manufacturing enterprises, local economy, production cooperatives, associated production of the unified agricultural cooperatives, and in similar organizations. So, one cannot understand why management workers in the economy refuse to introduce or take over some production program, for example, on the occasion of expositions entitled "We Are Looking for Producers," claiming that the prices which are disadvantageous for them allegedly cannot be changed (if the price has been fixed for the previous producer, or if in their opinion the prices of

a comparable product is low), and they themselves do not submit any proposal to adjust the wholesale prices. Price increases cannot be "automatic." We must continue to insist on analyzing the costs and maintaining the principles of economical production. If we did not respect these principles and would submit to various pressures, we probably would not be very helpful to our economy.

Expansion of the area of the so-called contractual process for minor wood products, kitchen aids, wooden tools, and so on sought a similar goal of making the price control more flexible, and above all of increasing the production of certain marketing products which are in short supply. In this case, it depends only on the agreement between the trade and the production to determine the amount of money for which they are able to produce and sell a given product, and no price control organ will prescribe a price for them. In spite of that, one can hear criticism that prices are precisely what causes a market shortage of wooden kitchen spoons or wooden boards for meat cutting.

A Lengthy Process

We find through frequent inspections that price control offices or national committees exceed the time limits for fixing prices specified in the price fixing decree in only quite exceptional cases. What takes a rather long time is the technical clarification of the product, approval in the state testing laboratories, assignment of the number in the uniform classification, approval from the hygienic viewpoint, and so on. If we discover specific cases of delays in price fixing based on subjective reasons, we apply appropriate penalties against the given workers.

One should add that price control offices recently issued orders to make the existing price control system even more elastic, in the sense that in order to fix the price of a product they no longer require that the technical or marketing process be completed, something which until now was a requirement. Of course, price fixing does not mean consent to put a product immediately in circulation, if other conditions have not been satisfied.

Prices of Services Show Little Readiness

Various measures have been taken recently to make the prices of services more elastic. Service enterprises need to use the prices in agreement with the national committees. Indeed, many people operating service enterprises as well as some national committees have not realized as yet that since the beginning of February of this year the maximum permissible prices apply not only in those cases where the prices have been changed as of that date, but also in other services (see the Price Bulletin, Part 54/1982). This measure could be used, for example, in seasonal discounts for car repairs, painting of apartments, reducing the prices of services, when the economic conditions are more favorable, and so on.

Private individuals are also selling certain goods now. The prices of these products are not authorized by the price control units of the national committees. Nevertheless, it is the duty of precisely these national

committees to make sure that all authorized sales of goods involve prices which do not arouse justified criticism on the part of the buyers and underserved profits on the part of the sellers. It is necessary to stimulate participation of private citizens, for example, owners of garden plots, in selling fruits and vegetables, participation of citizens in providing services which are in short supply. However, we believe that industrial production has to be taken care of more elastically by socialist organizations in the first place.

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CSO: 2400/281

UNSATISFACTORY PRODUCT UTILITY, QUALITY CRITICIZED

Prague RUDE PRAVO in Czech 29 Apr 83 p 5

[Interview by Eva Sadilkova with Engr Frantisek Kara, general director of the Industrial Consumer Goods Trade Association: "Let Us Offer Only Products of Good Quality"]

[Text] The assortment of goods which the stores of the Industrial Consumer Goods Trade [Association] offer to consumers represents more than 60,000 types of products. These are products which make our work in households easier and help us to make a nice home. They are goods for gardeners, but also cosmetics, goods sold in drugstores, paper products, and sporting goods. And even though most of the products are available in stores in adequate quantities, some assortments continue temporarily to be in short supply. That is why we asked Engr Frantisek Kara, general director of the Industrial Consumer Goods Trade [Association], to tell us what the overall supply of these commodities will be in the forthcoming period.

[Question] With regard to what goods can you now satisfy fully the requirements of consumers? Where did the situation improve in the last period?

[Answer] The matter which is most important to us and which we must deal with without delay is better preparedness in terms of advance procurement of available goods from wholesale warehouses for certain retail stores. But in addition, we still have some unsolved problems in terms of the volume of deliveries from the manufacturing establishments, and we cannot offer the specific product mix which consumers would like to see. This applies, for example, to freezers, certain types of refrigerators, color television sets, porcelain cups, saucers, sewing machines, bicycles, certain sporting goods, or automatic washing machines. In spite of that, the deliveries of these and some other groups of goods are larger this year than they were last year, and we assume that it will be noticeable on the market.

[Question] Are the technical level and quality of the products satisfactory?

[Answer] We are selling tens of thousands of units of our 60,000 types of goods, and so it is understandable their quality is not always without

shortcoming. The manufacturers have to keep improving the quality of their products and make sure in their output control that we do not get defective products in our warehouses. It is true that we have quality control of the goods according to the norms currently in effect in all wholesale warehouses, but because of a shortage of operating space and manpower we are not able to check all the products in all details. And so it happens that some defective products find their way into the stores. Therefore, it is the duty of a store's collective to test each product before selling it to a customer, and to exclude it immediately from sale in case it is found to be defective. However, the products which we sell and which are technically complex also have defects which sometimes do not appear until after they have been used for some time. We provide a sufficiently long period of guarantee for the products. Nevertheless, we want to supply consumers only with products which are absolutely without any defects. They make consumers satisfied and confident about the services which we provide.

This is one aspect of the quality of goods which is handled satisfactorily. The other aspect of it, which is worse for the time being, is quality from the viewpoint of technical advancement, higher qualitative parameters, modern appearance. And in this area we can no longer be satisfied, and I believe that the same applies to the corresponding manufacturers. Quite a number of tasks still confront production in this area.

[Question] How is trade affecting production in terms of accelerating the innovating process? Give us examples to show which enterprises are able and willing to comply with the requirement of the trade organizations, and conversely, which ones continue to produce goods in which trade is not interested.

[Answer] Product innovation is one of the basic requirements with regard to manufacturers in the entire world. It is not so in our country for the time being. Quite naturally, we are interested in selling as much as possible of those types of goods which are perfect both from the technical point of view as well as in terms of design. That is why we are trying to help our suppliers. We submit proposals and requirements with regard to specific products, we make it possible to compare our products with foreign products of top quality, and we share in the effort of accelerating the innovation process by providing foreign currency to purchase motivating samples for production. However, the results obtained so far continue to be unsatisfactory. We would much rather offer top quality, high utility products. It is now two years that we have been criticizing, for example, the Stromalt economic production unit for being slow in innovating freezers and automatic washing machines. We do not have an economical type of washing machine of small dimensions on the market, although they keep promising it. It is true that the Tesla enterprise in Prelouc has started to manufacture cassette recorders, but only in a small quantity and of one type. No long service life heads have been produced as yet for reel tape recorders. In the case of broadcast radio receivers of the firm Tesla in Bratislava, which has a monopoly on their production, the innovation program agreed to in discussing the relationship between suppliers and buyers for the Seventh Five-Year Plan is not being implemented to the full extent. Unfortunately, one can name more of

these products than of the good ones, even though we also have good ones. Just as in previous years, we can evaluate positively the approach to innovations at the Koh-i-noor economic production units and at glasswork economic production units.

[Question] What products are in short supply on the market, what will be their supply in the long run?

[Answer] As I mentioned before, there appears to be a greater demand for certain types of goods than we can supply. However, the situation is changing rather rapidly, and so it may happen that some goods which are in short supply may now be again routinely available on the market. So far there is greater demand for portable television sets, "in line" color television sets, freezers, refrigerators with a capacity of 250 liters, dishes and kitchen utensils, sewing machines, bicycles and their spare parts. Also, there is higher demand for certain minor household products made of wood and metal, porcelain sets. With regard to tools, there is higher demand for saw discs and electric drills, and for certain types of gardening tools, even though we conducted a number of drives in the past to win the cooperation of manufacturers needed for that purpose.

We are interested in fully satisfying consumer demand, and so will continue the drives. We are looking for new producers in order to eliminate the shortage of minor household products.

[Interviewer] We thank you for the interview.

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CSO: 2400/281

MIDYEAR FOREIGN TRADE RESULTS REVIEWED

Budapest NEPSZABADSAG in Hungarian 8 Jul 83 p 3

[Article by Istvan Gabor Benedek: "Foreign Trade's First Six Months"]

[Text] "We finally found a type of conference that enterprise managers gladly attend," someone said at the Ministry of Foreign Trade about the series of fortnightly consultations, chaired by the minister or his deputy, at which not only the "professional" exporters and importers are welcome, but also representatives of the industrial plants authorized to conduct foreign trade independently. The regular consultations provide a good opportunity for exchanging information, and the dialog is often the source of new decisions and actions.

Interest is especially keen around midyear regarding the total figures on the trade turnover, and especially regarding the trends on foreign markets, and new production and business opportunities. The first question, of course, is what has changed, and what has not, in relation to the plan. Last December, during the debate on the 1983 state budget in the National Assembly, the following warning to be realistic was voiced: "We are living in a world where the future may again have unforeseeable events in store Therefore the plan again assigns top priority to restoring external economic equilibrium and strengthening our solvency." The public understands that this must be achieved in a way such that the import level, already reduced by 12 to 15 percent in 1982, is maintained and export is increased by 6 to 7 percent, so that by the end of the year "we may attain a commodity trade surplus of 800 million dollars."

Peaks and Lows

This by no means easy undertaking of the national economy has been accompanied by many-sided but extremely concentrated work at home, and by keen interest abroad. And after six months it now appears that the data on foreign trade essentially satisfy the rigorous expectations. Between 1 January and the end of May, the enterprises already achieved about 25 percent of the planned 800-million-dollar trade surplus, and in June--although the final figures are not yet in--prorated fulfillment of the trade surplus improved further. All this is promising. (Last year, when at the end of the year the balance of trade showed--for the first time in years--a surplus of about 500 million dollars, the surplus for the first six months had been merely 50 million dollars.)

However, thorough analysis of this year's figures reveals also an abundance of contradictions. Thus the trade surplus up to June has not been achieved continuously,

nor with import and export in harmony. Departing from the plan and from their own pledges made at the end of last year, the enterprises achieved the trade surplus in spurts, with outstanding sales peaks (in March, and again at the beginning of May and June) and lows in January and February.

What happened? By the end of 1982 the enterprises had used up their old inventories, and at the beginning of this year the many contingencies of domestic and foreign procurement, and certain other internal enterprise problems greatly hampered continuous and even production, and also our positions in international markets were not favorable. This assessment is important because it is feared that in July and August the pace of work for even growth of the trade surplus might again falter, and the enterprises could at best make up for the lag only through another burst of activity at the end of the year.

Admittedly, the enterprises maintaining contact with foreign markets were not in an enviable situation. Some of them--and not only the ones operating at low efficiency--were coping with cash-flow problems caused by debt servicing costs and taxes, as well as by the low foreign-market prices and lost or cancelled foreign orders. In addition to the already existing import problems, this hampered import and reduced the volume of goods available for export. At a proportion of the enterprises, domestic purchasing power greatly exceeded the plan, and this--similarly to the aforementioned factor--not only required more import, but also diverted certain products from export. For it should be remembered that in many instances deliveries to domestic partners are more advantageous than export for convertible currency, where stricter requirements must be met.

Through Purposeful Work

Nobody in foreign trade feels that he is counting his chickens before they hatch when he rejoices over the expected semiannual trade surplus. Despite the mentioned difficulties, this substantial sum did not come about by chance. It has been achieved through hard and purposeful work, proving that the production and marketing enterprises are able to improve their performances even under complex conditions. For the improving balance of trade shows that there still are substantial reserves in industry. Complete utilization of these reserves is necessary, for at present the price losses can be offset mainly by increasing the physical volume of export.

What has been the situation of foreign markets during the past six months?

From the CEMA countries our enterprises have been able to obtain their planned imports under delivery schedules better than usually. It became evident that our partners' willingness to export matched our domestic demand, and this explains the nearly 10-percent increase in the quantity of imports. Mostly materials and semifinished products, and also machinery and parts accounted for the increase in import, but the prices of these commodities rose, adjusting to the price level on the world market. The situation at present demands that the enterprises exporting to socialist countries expand their export and satisfy without failure their customers' expectations.

The big Western market-research institutes predicted a general economic upturn in the first half of 1983. So far, however, Hungarian exporters have not experienced any upturn in the markets for their products. Moreover, there was no

sign of any effervescence, neither in terms of prices nor of the quantities of merchandise, at the business negotiations just ended, at which our enterprises concluded contracts for the second half of the year.

The petroleum-producing countries unambiguously reduced their import. This has compelled Hungarian exporters to seek new effective markets that are economical in any event. The need to achieve a trade surplus permits ever less any exception to the basic principle that we may sell only at a profit. Even though we cannot be satisfied with the composition and prices of the goods sold, the increasing purchases of the capitalist countries offer hope that our enterprises might be able to compensate for the shortage in the second half of the year. But to this end the efforts exerted so far are just the beginning.

Commodities and Prices

The details are edifying. Lately metallurgy has been regarded as a crisis sector of the economy. Its export appears to be running true to form. The export volume has declined in comparison with the same period in 1982, and the prices are lower by 20 percent on average. But this applies only to export. Production, because of domestic purchases, has not declined at the same rate. And domestic sales of hot-rolled pipes substitute import. For the rest of this year, experts anticipate a sharp and purposeful decline of domestic demand, and a certain upswing in foreign markets.

The chemical industry's results are far more unambiguous. Conservation of hydrocarbons has not only increased the stocks of exportable commodities, but also the quantity of materials processed. Among many other things, more plant protectants and truck tires have been sold. On the other hand, however, it is likewise true that, among other things, exports of medical instruments, machine tools, semiconductors and television sets have declined. This is a warning --and the lessons are similar also in the case of light industry--that foreign trade and industry must continuously reexamine their mutual tasks, because with more effective market research, better pricing, and more imaginative utilization of business opportunities, our products can be sold more advantageously than up to now.

A quick balance has been prepared also of the export of agriculture and the food industry. Demand for wine, fish, salami and canned meats declined during the first half of the year, and the prices of live cattle, sheep, game, dressed poultry, eggs and fresh vegetables continued to decline. On the other hand, more was sold of Hungarian pork, bread grain, butter, canned ham, canned fruit and vegetables, and quick-frozen foods. Exporters obviously are looking forward to the second half of the year with greater expectations than even in the first half, because it will be possible to determine only after the harvest what products can be sold and at what prices.

All in all, the lesson that can be drawn from the trade surplus at midyear is that more responsible management could avoid the impossible situation of having to produce in a rush at the end of the year so as to make up for the lag during the year, thereby squandering direct labor and energy, disturbing inventory management, obviously worsening the quality, and occasionally even violating the delivery contracts. Furthermore, analysis of export makes entirely obvious a question that applies also to foreign trade as a whole: It is not entirely indifferent whether export and import are balanced within a large or small total

turnover; and obviously the order of magnitude is likewise not indifferent of the balance of trade on which the 800-million-dollar trade surplus that is to be attained will be based.

Facing Difficult Tasks

Maintenance of dynamic trade unalterably remains the objective of central planning as well as of enterprise management, but in the second half of the year greater emphasis, if at all possible, will be placed on the sequence of the tasks. For irresponsible confidence, and optimism that disregards the tasks, could easily backfire. Expedient in the present situation is only the import that contributes toward increasing the volume of export denominated in rubles or dollars, and toward domestic supply by improving the economic efficiency of production, the technological level, and the future ability to export.

Both producers and traders are approaching the unquestionably difficult tasks better prepared. For even though the enterprises may occasionally regard as contradictory the quick and flexible matching of foreign-market opportunities with the domestic conditions and commitments, and may feel that the current economic requirements are too difficult, continuous and even improvement of their results is demonstrably in their interest.

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PERFORMANCE OF DOMESTIC TRADE IN 1982 EXAMINED

Budapest FIGYELO in Hungarian No 25, 23 Jun 83 p 4

[Article by Dr Kalman Simoka: "Domestic Trade: 1982 Management"]

[Text] The 1982 economic-financial processes of domestic trade were influenced basically by a moderate increase in trade and a considerable increase in trade costs. The increment in trade derived largely from price increases and to only a negligible degree from an expansion in volume. The increase in expenditures at a rate exceeding the increase in receipts can be explained in part by an increase in operating costs proportional to turnover--although some improvement could be experienced--and in part by central measures during 1982 which increased costs. The profit margin narrowed as a result of consumption adjusting to the changed income relationships and as a result of a decrease in the ratio of imported articles.

The value of stockpiles held in the branch exceeded the figure for the previous year but specific stockpile holdings improved. Ensuring a variety-meeting demand continued to cause a problem.

Under the combined effect of all these factors, the 1982 profit on domestic trade, which served as a basis for accounting (interest), was 22.8 billion forints, lower than 1981 by 5.6 percent. The decrease in profit took place together with a strengthening of sub-branch and enterprise differentiation.

The Differentiation of Profit

Although profit decreased in most sub-branches of domestic trade, it was not rare for profit in trade capital equipment to exceed the 1981 level by 20-30 percent. Of the 27 TEK [Capital Equipment Marketing] enterprises, 17 realized a profit greater than the base; the profit increment spread was 1-10 percent for 8 enterprises and 10-35 percent for 9 enterprises. The improvement in results for the enterprises is explained by a dynamic increase in turnover, relatively moderate stockpile holdings and a relative decrease in expenditures. A profit lower than that in 1981 was generated at four enterprises, but the decrease was slight.

Nearly two-thirds of the profit of the branch was generated in trade in consumer goods. Thus the branch-level profit shortfall can be attributed

basically to the considerable (11.8 percent) deterioration in the income situation in this area. The modification of regulators during the year certainly influenced the development of the 1982 profit on trade in consumer goods.

The 3 percent increase in the social insurance contribution and several changes in interest rates decreased the profit by about 1 billion forints each. The increment in energy and transportation costs was considerable also. At the same time it is noteworthy that the decrease in profit was concentrated in a few areas--retail and wholesale trade in foodstuffs and commercial entertainment--and within this on the 8-10 enterprises which represented a great weight in the sub-branch. While profit in these 3 sub-branches decreased by 5-25 percent, the 1982 profit of 1 large enterprise in each came to only 21-60 percent of the base. So it is obvious that in addition to the tightening of the regulator system the efficiency of the management of individual enterprises or their low adaptability had a fundamental effect on the development of the income situation of the sub-branch and ultimately on that of domestic trade.

Income Centralization

As in the other branches of the economy so in domestic trade also, all the material consequences attach to the profit, which serves as a basis for accounting (interest). Profit as a basis for accounting is the profit according to the balance, and it is generated as the balance of non-normative supports, withdrawals and the enterprise price difference reserve funds modifying it. The non-normative withdrawals taken in the form of a production tax are aimed at centralizing extra income independent of management for a single enterprise, the AFOR [Mineral Oils Commercial Enterprise]. The non-normative supports for domestic trade--which are consistent with the general regulation and also serve standard-of-living policy goals by holding the price level--exceed 600 million forints. Within the branch six TEK enterprises generated price difference reserve funds. The balance of import fund generation and use exceeds 100 million forints.

The enterprises of the branch paid 58.8 percent of the profit basis for accounting into the state budget as profit tax, wage development payments and city or town development contributions. Centralization increased to a slight degree despite the decrease in profits. Due to the modification of taxing rules, beginning in 1982, profit tax payments must be made on a general profit tax base increased by nonproductive costs. In domestic trade this increased the tax base of profit by more than 800 million forints. The profit tax retention concession, which was smaller than in 1981, increased centralization even further.

Domestic trade enterprises generated a 9.3 billion forint incentive fund out of a 1982 profit of 22.8 billion forints. Of these 9.3 billion forints, 6.6 billion were turned to F Fund [Development Fund] generation. The F Fund increased by about 300 million forints despite the decreasing profit, due in part to use of the obligatory reserve fund and in part to R Fund [Shares Fund] generation lower than in 1981. The extra developmental resources did not

result in the outflow of investment purchasing power above the plan--considering the well-known measures taken during 1982, such as the linear withdrawal of enterprise free developmental resources.

The enterprises turned 1.7 billion forints to obligatory reserve fund generation and 0.1 billion forints to segregated reserve fund generation.

Repayments developed at the base level and use of reserve funds exceeded the 1981 level by half a billion forints. The enterprises used 184 million forints of this to supplement the profit which could be distributed, and they used 730 million forints to cover obligations burdening the developmental fund.

The R Fund generated from 1982 profit was 986 million forints, or 4.6 percent of the wage costs. There continues to be only loose connection between the size of the profit and the generation of the shares fund; the size of the latter is influenced primarily by enterprise obligations.

Payments and Supports

The 1982 budgetary payments of the domestic trade branch exceeded those in 1981 by more than 5 percent. The supports granted rose at a lower rate than this. Of these payments, receipts deriving from the profit tax hardly changed from 1981 despite the considerable decrease in profit--as a result of the change in tax rules already mentioned. The sum paid in under the heading of the social insurance contribution exceeds the base by 20 percent, due in part to the 3 percent increase in the key and in part to wage payments exceeding what was planned. The consumers' turnover tax making up the bulk of the receipts increased by more than 6 billion forints in harmony with the central price increases during the year.

The domestic trade branch gets three-quarters of the supports granted under the heading of the consumer price supplements and this increased by 2 billion forints. Supports were extended in the form of producer price supplements and grants were moderated as compared with the base, primarily because agriculture used less artificial fertilizer than last year. In the interest of recognizing the unique nature of commercial activity the branch gets non-normative grants, which came to 637 million forints in 1982. These grants included 145 million forints to support winter storage of potatoes, fruits and vegetables; 137 million forints to support a continual supply of fruits and vegetables to the populace; more than 200 million forints for differentiated support of food shops operating in small settlements; and a fixed sum support of 140 million forints paid for foreign exchange receipts of tourism enterprises.

The net payments by the branch--reduced by subtracting the supports--exceeded the 1981 level by 6 percent; thus domestic trade contributed about 2 billion forints to improving the position of the state budget.

NEW MEASURE TO COPE WITH FISCALLY UNSTABLE ENTERPRISES

Varying Problems

Budapest OTLET in Hungarian 28 Apr 83 p 6

[Article by Andras Domany: "What Should Happen to Them?--An Enterprise Can Be Profitable--And Still Can Become Short of Operational Funds"]

[Text] It is more and more a topic of conversation even among people not particularly interested in economic matters: this or that large enterprise is "in trouble," "became bankrupt," is insolvent and so on. But real news is rarely obtained and the concepts are also unclear.

Because an enterprise can be profitable--that is, its yearly intake can be higher than its outlays--and still be short of funds if it had assumed too much credit or if it had paid its workers above its means, that is, although it has profit, this is less than what it needs to satisfy its financial obligations. There is also a concept of more recent origin, the enterprise with "low effectiveness." Parts of these management units are not lacking in funds and are also not working at a loss (for the time being), but it appears that they are heading in this direction. Facts confirm that this is a significant matter: during 1981, the 22 losing Hungarian enterprises accumulated 1.2 billion in losses while the 25 enterprises lacking in funds accumulated 15 billion forints in debts. According to a report by the minister of industry, at the beginning of this year 10-15 percent of the workers working under his ministry were employed in units struggling with difficulties.

The causes are difficult to discern, even more so to classify, because nearly each case is unique. Nevertheless, the causes could perhaps be divided into two main groups: those outside of and those within the enterprise, although there is also much overlap between them. At any rate, it is a fact that, in many cases, a given enterprise is often paying dearly for the consequences of national economic or sector decisions, in part still from the time when enterprisal autonomy and responsibility did not exist even in principle. The lagging behind of the background industry is the consequence of a developmental concept. Today, it weighs both on the background industry (manufacturing parts and partial units) and on the user.

A similar topic is the lack of complexity--for instance, in the food industry where the low cooling, storage, transportation, processing and packaging capacities narrow the possibilities of a profitable sale of the products. In many cases, world economic troubles affected the Hungarian enterprises, sometimes without the possibility of fending them off--for instance, in the case of metallurgy or PVC. (Although there are great differences here also: a not negligible part of the metallurgical machine pool is outdated, and while PVC is produced in a very modern factory in excellent quality, there is global overproduction of it.) The situation of the aluminum industry, built on domestic raw material, is made more difficult by very drastic price fluctuations as--to cite another type of problem--are rabbit skin and rabbit fur processors, whose products could be sold very well as late as a few years ago.

It is true that the world economy represents not entirely a veritable disaster: part of these difficulties--although not all of them--could have been avoided by a better knowledge of the market and with the help of better prepared specialists.

The second group of causes: the deficiencies in enterprisal management, an inadequate knowledge of the market. Moreover, in general, the absence of a national economic approach which--together with other causes--led to much too costly production, the squandering of materials and the manufacture of excessive products. More than one leader is proud of those markets of developed countries reached by our products and by their trademarks, but he is unwilling to acknowledge that the export is not profitable. (I am not referring to the temporary, tactical lowering of the prices.) A few years ago, the economic director of one of our renowned machine factories was told off when he "annoyed" with his profitability calculations: "the machine is not made of paper...." Misinterpreting the interest in profits; ruthless exploitation was conducted in some places; they only thought in short-range terms. At other places, they overdeveloped--in some of the insolvent enterprises, there are very high-quality, new installations working or standing still, the trouble with them being that the profits made from products manufactured with them cannot pay for the credit installments because they are insufficient.

Of course, the internal causes are also not exclusively internal, because the managers are appointed and qualified by the chief authority which, therefore, shares the responsibility if its appointees use chronically bad concepts to manage an enterprise. However, for a long time, it was really in the interest of no one to pour clear water into the glass. They hid or covered up for the conflicts instead of searching for their solution. The various support allotments also served to cover up financially for the troubles while many managers sought "political protection" and tried to avoid detection of the serious trouble on the basis of subjective considerations difficult to grasp. When the trouble finally came to light, it was often difficult to remedy any more.

The new legal ordinance by the Council of Ministers is proposing changes precisely in this context. The guidance organs obtain the right--and also the obligation--to intervene earlier in the life of enterprises which consistently function poorly. (Precisely those whose profit balance relative to their net capital installations and wage funds--this profit balance concept does not include non-normative, that is, individual supports--over a 2-year period and does not reach half the average profitability figures in the given sector, as calculated on the same basis.) This is not intended to mean some newly spreading, operative intervention contrary to the economic guidance principles, but rather the accomplishment of certain prescribed measures: the investments and personnel expansion of the given enterprise can be tied to a permission--that is, its growth can be limited--its amortization can be frozen and certain sanctions can also be invoked against the director.

But, from now on, the principle must prevail that the owner (the state) must remove from the enterprises any inadequately utilized installations or capital which works with losses or is merely endangered and must invest it more profitably according to good management principles.

First, only the continuation of the activity causing difficulties is suspended, for instance in the manner already mentioned, by freezing the liquid assets of the enterprise, and an attempt is made to find some other activity or to let the enterprise find such. Should this fail to bring results, then the activity, moreover even the enterprise, must be terminated more often and more consistently than before. A mechanism must be created to resolve such cases, for instance the organized and humane (although obviously involving unavoidable individual inconveniences) redistribution and retraining of the workers so that those who get into such a situation should not suffer financial losses. A decision must be made about the further fate of the sport club, health and cultural houses and other establishments of the enterprise in trouble, and because the budget cannot take these over today, they are costly. Also costly to the enterprise--sometimes this is also one source of the troubles. But a solution must be sought to everything rather than be kept hoping that perhaps all of this "will pass."

It is increasingly more urgent to take some action. The new legal decrees create new possibilities, a new element of the mechanism has come into existence in which, if there is difficulty--because this is often unavoidable--the problem must be solved with the evolved, institutional methods. Whether it will indeed be accomplished this time is the function of very complex economic and political factors and interest conditions.

That is what should be done, I am certain of that.

When To Rehabilitate

Budapest OTLET in Hungarian 28 Apr 83 p 7

[Article by Dr Alfred Sinkovics: "Government Bail-Out--With Question Marks"]

[Text] Financial reorganization with state help is regulated by the Ministry of Finance decree of 10/1981 in which it is spelled out when and who should initiate the procedure and who must participate and whether at the end the enterprise should be liquidated or should be made functional again by giving it suitable help. The rehabilitation process is ordered by the minister of the branch in agreement with the minister of finance, and the former also appoints the chairman of the financial reorganization committee. The committee is set up by the chairman and by the enterprise oversight department of the ministry. It is composed of technical and economic specialists and an employee of the income and control directorate of the Ministry of Finance.

The activities of the rehabilitation committee are guided by the interdepartmental committee; they utilize the results of the activities of the financial reorganization committee and they also make decisions concerning further steps to be taken. Participants on the interdepartmental committee are: the National Material and Price Control Board, the State Office of Wages and Labor, the National Planning Office, the State Bank for Development, the Hungarian National Bank and, if needed, the National Technical Development Commission.

In the first step, the financial reorganization committee prepares its work plan. Its starting base is the plan of measures prepared by the enterprise in which the latter searches for ways to stand on its own feet again and what actions it should take, and it also evaluates the probability of becoming liquid again. The interdepartmental committee discusses the work plan of the financial reorganization committee and offers suggestions; it can also request supplementary information.

Subsequently, the interdepartmental committee presents in a report those internal and external causes which created an enterprisal management operating at a loss. The financial reorganization with state help is only the last phase of a process, its conclusion.

The results of the revelations are discussed within the interdepartmental committee. During this, the enterprises to be placed under trusteeship are often pointing toward the outside, citing external circumstances and it appears that they cannot use enough self-criticism to judge their own activities. It is the goal of the interdepartmental committee to form a realistic picture of the enterprise and to stand up to an attitude of putting the blame on external circumstances alone.

Subsequently, it must decide the mode of the financial reorganization. According to the decree, it must in part set down those steps which the enterprise must take to eliminate the losses. If this is insufficient, it must formulate what type of state support must be given. Usually the problem is not

merely the straightening out of losses in the given year, but the unavoidable and foreseeable losses of the next 2-3 years must also be considered. If the resources of the enterprise are insufficient to pay back its loan installments, it receives credits, that is, a state loan. In many cases, the date of expiration of the credits is lengthened.

The enterprise can be required to sell its superfluous equipment; machines and transportation means are particularly easy to sell. If even this is insufficient, then the enterprise could get refunds, for instance from the deposited technical development funds, to supplement its participation or development funds. This becomes necessary if the enterprise functioning under losses or expecting a loss executes wage increases, in spite of its deteriorating condition.

If significant state resources are necessary to rescue an enterprise, other responsible organs also have to make a judgment whether the large sum of extra investments is worth it for the national economy or whether it would be better to distribute the enterprise into independent enterprises or to sell it to other, more profitable economic organizations.

At the third session of the interdepartmental committee, the explanatory material and the recommendations for disposition are discussed, and necessary corrections are made. Decision is made at the ministry where the entire financial reorganization proposal is submitted to a ministerial conference. It is decided there whether the fate of the enterprise should be disposed of within the ministerial framework or whether it should be submitted to the State Planning Committee.

It is a weak point of the financial reorganization procedure that it zeros in only on the losses of a given year, that is, it does not have a sufficiently in-depth approach toward the causes which led to the troubles of the enterprise.

The matter must not be considered resolved by the financial correction of the losses because, by that time, the enterprise already is in a state of disorganization. Rather, a new enterprise must be built on the ruins of the old one. Namely, the losses are merely a signal system and attention should not be focused on the enterprise only when this alarm is sounded. The situation, development and eventual regression of the enterprise must be followed continuously and with long-range plans in mind. Prevention would be the important step, to forestall erroneous enterprisal decisions and actions.

The problems of the financial rehabilitation procedure indicate that the quality of enterprisal management is decisive in the developmental successes of a given enterprise. Therefore, in the course of financial reorganization, actually in the case of the replacement of the management, only those are removed who should not have been appointed in the first place.

Often, enterprisal suggestion can inappropriately influence the formation of the final decision. One means of settling the losses is to sell certain machines of the enterprise. Many choose the easiest road by getting rid of the

transportation equipment and turning to transportation rental. This again increases their prime costs.

In the course of the financial reorganization procedure, it is very difficult to judge the external and internal causes which led to the difficulties. That is, it is difficult to distinguish between the guilt and innocence of the company. In order to form a complete picture of a living enterprisal organism, such an enterprisal history should have to be written which is, in general, above the energies of the financial reorganization committee.

Where the Bank Can Help

Budapest OTLET in Hungarian 28 Apr 83 p 8

[Interview with Dr Laszlo Body, executive director of the Hungarian National Bank, by Ivan Wiesel: "Where the Bank Lends a Helping Hand--In Evaluating the Credit-Worthiness of Promises, the Bank Relies not Only on Its Own Experts"]

[Text] Recently, the enterprises working at low effectiveness were considered by the Council of Ministers. Earlier, the Hungarian National Bank had already issued directives for the financial support of enterprises working with losses or lacking operational funds.

[Question] How many enterprises landed in the red in 1982, and what is the extent of these losses?

[Answer] According to the 1982 data, enterprisal and cooperative losses amounted to roughly 2.6 billion forints. Compared with the total gain by enterprises and cooperatives, this is very low, amounting to about 1.5 percent. Last year, 126 economic units had losses, 86 of which were agricultural cooperatives with losses of 1-2 million forints.

[Question] This is a very low value. Why then is economic guidance focusing on these problems?

[Answer] Unfortunately, under the current price and support system, the enterprisal shortage of operational funds and losses is not an expression of the level of effectiveness of the enterprise. It happens--and not merely in isolated cases--that, according to banking standards, even enterprises with low effectiveness are creditworthy because they have gains from which they establish funds. It is another question that these gains include a high proportion of subsidy.

[Question] When do low effectiveness and insolvency coincide?

[Answer] If the enterprise is of low effectiveness, it still can remain solvent in certain cases but, in general, it is already standing on the brink of insolvency. Therefore, it is becoming increasingly urgent to make profit

the main indicator of successful management, profit which is backed by realistic achievement, that is, increasing effectiveness.

[Question] Should this be interpreted so that the production resources should sooner or later be withdrawn from noneffective enterprises and they should be redirected to those where higher effectiveness can be expected?

[Answer] The question is somewhat simplified. In taking away capital, it should always be considered whether there is a way out from low effectiveness. If there is, it should be supported, if there is not, then the capital should be withdrawn as soon as possible because its investment there is harmful to the national economy.

[Question] At present, the bank can intervene only from the side of financing, of course. How is this done?

[Answer] Based on authorization from the government, the Hungarian National Bank developed a multiphased system of arrangements which is applied to enterprises in the red or lacking in operational funds. The regulations issued last year increased the responsibility of the enterprises: those having a deficit or lacking in operational funds must mobilize their own resources and must work out a program of actions which will eliminate this situation. The bank is entitled to prolong certain credits temporarily and also to provide credits to bridge the gaps in individual cases. But the budget can also renounce certain incomes in order to provide conditions at the enterprises for the elimination of losses.

[Question] What criteria does the bank use to decide whether it will help the enterprise in trouble?

[Answer] Based on the evaluation of the enterprisal action programs, the bank decides what kind of attitude it will maintain toward them. If it judges that the deficit will cease within a year, that is, after the evaluation of the enterprise's own developmental activities, the funds will be replenished, and then the bank is willing to help.

[Question] Is the bank capable of evaluating the seriousness of promises drawn up in the action programs?

[Answer] In evaluating the "credit worthiness" of promises, the bank relies not only on its own experts but also--depending on the nature of the promises--on the opinion of the guidance organs, the foreign trade enterprises, certain research institutes, the National Technical Development Committee and other experts. Therefore, the enterprise is taking irresponsible risks when it makes promises without foundations because this will result in stopping the sources of credit after a year, the end result of which is financial reorganization with state help.

[Question] What can an enterprise do in the course of such action?

[Answer] The means and possibilities are varied. The enterprise can touch its financial reserve funds to moderate its lack of operational funds, and it can use the technical development fund or a certain part of the amortization. If these are insufficient, the bank will get involved. It will extend credit or offer new credit if thereby it can help resolve the problem.

[Question] Numerous large enterprises are among the units functioning with insufficient operational funds. These cannot be judged under the business policy conditions of the bank; due to their economic and social weight, they require special treatment. What can the bank do?

[Answer] The competitive situation currently existing the world over--especially in the depressed industrial sectors--doesn't favor the large enterprises. Of course, the question also arises now, who is in a more difficult situation: the bank or the debtor? If the bank does not help out the debtor, this decreases even its hopes for a return of the credit. On the other hand, if it provides "loose" support, this will make the debtor overly comfortable, thereby endangering repayment. It is very difficult to reconcile the two interests, although this is certainly needed. Therefore, the Hungarian National Bank endeavors--jointly with other organs of guidance--to force this sector also, to establish and fulfill action programs which will require large enterprises also to adapt to demands. Thereby, they could resolve a significant part of their problems through their own resources.

[Question] Experience shows that very few enterprises go all the way to financial restructuring under state help. What is the cause of this?

[Answer] Financial restructuring is the final step which is not in the national economic interest except if other solutions are no longer available. Therefore, it is not considered the goal of the bank to force enterprises into such a situation. It stresses prevention. Of course, if effectiveness and profitability become a more tightly knit national economic category, then the range of financial restructuring will also, probably, be expanded.

[Question] How do low effectiveness, losses and lack of working capital affect the value of the forint?

[Answer] Any imbalances arising in the national economy--irrespective of whether they arise in the real or financial sphere--have an unfavorable effect on the steadiness of the value of the forint. Therefore, the bank tries to facilitate the elimination of imbalances by monetary means. This intention is also clearly reflected by the credit policy guidance principles adopted each year.

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ENTERPRISE INVESTMENT OPPORTUNITIES SKETCHED

Budapest OTLET in Hungarian 28 Apr 83 p 9

[Article by Patricia Molnar: "The Mysterious Path of Money--Small Change Can Be Accumulated by the Establishment of Joint Enterprises"]

[Text] It is the natural desire of people living on wages to spend their income on things which--in the form of some product, service or cultural product--best contribute to the satisfaction of their needs. In the case of product-managing organizations, it is (would be) particularly important to invest their income in activities promising the greatest return, the highest profit.

In spite of the theoretical acknowledgement of income-centered developments, there are often cracks in the much quoted Marxist thesis that money (capital) or rather production capital, under product and market conditions, flows (in technical terms, is allocated) to where the greatest profit can be expected.

In our economy, efforts contrary to the above thesis could be observed for a long time, although the necessity of capital flow and capital allocation has actually been stressed by the experts ever since the introduction of economic reforms. What is indeed involved? As a matter of fact, also currently but especially earlier, the steps taken by the enterprises were guided by the intent to safeguard and to expand the values acquired. In other words, even when their activities produced losses, they did not strive to use their remaining moneys "over the fence": to support the developmental conceptions of another enterprise or of another production or service area.

The extent of hoarding has been decreasing since 1979, the central sources of credit have diminished and the safes of the enterprises also are not full. There are spheres of activity where the amount of developmental funds generated is so small that they can be reasonably invested only when combined with the capital of other enterprises. Under such circumstances, it is particularly important that the money should circulate instead of being frozen. It should go to where investment is profitable. This makes it necessary to modernize the existing system of capital distribution, to revive forgotten methods and to introduce new ones.

Concerning the possibilities currently in effect, the most effective capital regrouping mechanism--through its role in withdrawal and reallocation--is the banking system which evaluates the budgets and the credits. With respect to the budget, the old tune is: its supportive, reallocative role should be curbed. Our banking system is still, often exposed to the accusation that the finance institution does not behave like a business associate or partner. The reform of the credit and banking sector currently in progress serves precisely the goal that, by establishing smaller organizations, the bank should conduct business activities and thereby more flexible and effective regroupings of money than earlier. The first steps have already been taken in this direction. The first action was in 1979 when the innovation fund was established under the colors of the Hungarian National Bank. The financing organization, which was initially established only for cuddling technical developments, is behaving today as a business associate, that is, its decisions are based on the evaluation of the prospective business advantages from the investments.

This year--also using the money, the funds of the Hungarian National Bank--they established the venture fund with 100 million forints starting capital. It is characteristic of the new financing institute that it does not extend credit but furnishes development fund supplements. The managing organizations can obtain funds by competition, that is, by competing with the various ideas for development and money investment.

In the State Development Bank, they also took some steps to modernize money regrouping methods. For several years, they have participated as business partners in the establishment of various deposit associations and principal export enterprisal organizations. Among others, they undertook the marriage between health, cultural and construction industrial organizations: the members of these organizations are managers belonging under different ministries. Among the efforts and results of the State Development Bank are that--jointly with the Central Committee of the Hungarian Communist Youth League--they put a roof over the Association of Inventive Youths, which helps to realize the ingenious ideas of young people, and subsequently--making use of the possibilities provided by the new enterprisal forms--they also established the Small Enterprisal Innovation Bureau.

These first swallows have been followed by newer ones, as it was also recognized by the more ingenious managing organizations that, by establishing joint enterprises, the various small change can be collected and, as developmental forints, can be advantageously invested. Although it is true that the enterprises cannot be accused of excessive daring in this context either, the completely new, experimental form of capital regrouping and flow was also born early this year. The Agentcoop agency established 2 years ago was changed into the form of a stock corporation under the new name: Novotrade. The 3 banks provided 51 percent of the basic capital of the corporation, and the other stockholders are made up of cooperatives and state enterprises. The goal of Novotrade is to increase its capital through profitable investments. The stockholders are entitled to profit dividends.

A governmental decree at the end of last year provides for a form of capital regrouping already known a century ago: the issuance of bonds. A bond is a share in fact and, as a result, it functions as money. At the same time, the bond is also a form of credit according to which the issuer obliges himself to repay the sum received from the purchaser of the bond within a set period of time; in addition, it pays interest on the credit. The interest can be fixed or variable, adjusting to the money market conditions at any given time. The bonds can be sold, and the enterprises can use them to repay their debts. Although long-range conclusions cannot yet be drawn from the initial actions, the new form of capital regrouping appears to be popular. This is confirmed by the fact that the bonds issued jointly by the State Development Bank and the National Oil and Gas Industry Trust at an 11.5 percent fixed rate of interest were oversubscribed. In view of the great interest, the bond issuers--with permission from the Minister of Finance--doubled the sum of 200 million forints originally planned.

The few modernized or revived methods of capital reallocation mentioned indicate that the reallocation of money and resources sought for a long time in theory is now also being approached in practice. In the case of enterprises struggling with prolonged financial difficulties, functioning for years with insufficient working capital or at a loss, it would be particularly important to have their growth rate reduced and to have the floodgates of central--supportive--money channels closed to them. The forms of capital reallocation could provide the possibility to wind up the anomalies also in this area.

The new framework for an interenterprisal flow of money is in the process of formation. It depends on the additional steps and on the utilization of the current possibilities whether capital will indeed be moved in the direction promising higher profits.

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WORSENING OF ENVIRONMENTAL SITUATION ASSESSED

Increased Danger to Environment

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 11, 3 May 83
pp 36-39

[Article by Czeslawa Rolewicz and Andrzej Kassenberg: "Diagnosis of State of Danger and Protection of Natural Environment in Poland"]

[Text] The 1970's were characterized by increasing environmental danger. Low effectiveness of environmental protection activities has brought about a significant deterioration of the state of the environment. The extent of these changes has enabled us to present the two following theses:

- the national threshold of environmental immunity has been reached;
- the state of the environment differs clearly from place to place.

We believe that the main causes of this situation are:

- a lack of environmental policy and lack of consideration of environmental principles in development of particular areas of the national economy;
- insufficient inclusion of environmental principles in social, economic and territorial planning and the lack of application of environmental criteria to investment localization.
- no provision of appropriate investment and work resources adjusted to the increased extent of environmental danger;
- insufficient coordination of environmental protection activities due to its improper organization.

State of Water Preservation

The key problem here is providing suitable water quality in rivers, lakes, ocean and ground waters. During the last decade, the amount of sewage generated has steadily grown. In 1981, the amount of industrial and communal sewage needing purification came to 4.7 billion cubic meters (2.5 billion

cubic meters of which were industrial sewage). The greatest share of these wastes were generated in the provinces: Katowice--20.8 percent; Warsaw--9.9 percent; and the city of Krakow--7.0 percent.

The construction of sewage treatment plants has not kept up with the increase of generated sewage and their operation has left much to be desired. As a result of this, the proportion of wastes treated to those generated in 1976 has been falling (presently 55 percent), whereas, only three percent of wastes (the degree of BZT₅/biological oxygen requirements/reduction is more than 90 percent) on a national scale has undergone total treatment.

Out of 3,800 industrial plants having a great effect on the state of water and sewage management in Poland (plants discharging more than 40,000 cubic meters of sewage annually), 1,800 of these plants discharge their sewage directly into surface waters and almost 20 percent of these plants do not have any type of waste treatment equipment. Another 17 percent have sewage treatment plants of insufficient capacity. The remaining 2,000 plants discharge their sewage mainly into communal waste systems.

Out of 805 cities, only 364 have communal sewage treatment plants. Out of those, 56 percent are equipped with mechanical and biological type sewage treatment. Thirteen provincial cities do not have sewage treatment in general. Those are Warsaw, Bialystok, Elblag, Gorzow, Kalisz, Lodz, Nowy Sacz, Radom, Rzeszow, Skierniewice, Tarnobrzeg, Tarnow and Wloclawek. Another 12 provincial cities only have mechanical waste treatment plants. They are Ciechanow, Konin, Lublin, Olsztyn, Poznan, Sieradz, Slupsk, Suwalki, Szczecin, Torun, Zamosc and Zielona Gora.

A serious threat to water quality is also presented by industrial animal breeding farms that discharge highly polluted sewage and the technology for treatment of this sewage has not been completely mastered.

Out of a total communal sewage treatment capacity of 2.5 million cubic meters daily, more than 1.5 million cubic meters daily (62 percent) is treated at poorly-operating plants. An even worse situation is taking place at treatment plants at reservoirs whose share amounts to 88 percent. In 1980, it was pointed out that over 60 percent of communal treatment plants had hydraulically overloaded equipment, 15 percent of which was triple-overloaded.

Other than point sources of pollution, there are still territorial and linear sources. Territorial water pollution connected to the development of agriculture and forestry is the result of improper fertilization and pesticide and fungicide use. Linear pollution occurs on roads and railways and as a result of breakdowns of various pipelines.

The increase in the amount of sewage and the slow pace of waste treatment plant construction and modernization has resulted in a considerable worsening of river purity in recent years.

Comparing the actual purity of surface waters with what it was 10 years ago, we see a consistent tendency for it to worsen. Total national river length

containing the purest water has reduced from 32 percent in 1967 to 10 percent in 1979 whereas the total river length containing waters not meeting standards has grown. In addition, figures showing concentration of pollution are steadily increasing.

Out of the larger rivers in Poland, the following are especially polluted: the Odra (63 percent of its waters go beyond all classes of pollution), Mala Panew (65 percent), Bystrzyca (81 percent), Bobr (60 percent), Warta (51 percent), Ner (100 percent), Kanal Mosinska (81 percent), Welna (100 percent), Vistula (56 percent), Kamienna (52 percent), Elk (56 percent), Bug (100 percent), Krzna (62 percent), Bzura (98 percent), Wierzyca (70 percent), and the Liw (66 percent). Furthermore rivers such as the Nysa Kłodzka, Barycz, Nida, Wieprz, Drweca, Brda and other whose drainage basins are either fully or partially protected carry class III waters.

The essential problem in the mountain watersheds of the Vistula and Odra is excessive salinization of their waters due to drainage into them of saline mining effluent. Saline concentrations sometimes exceeding by several times permissible values for class III waters have been observed in the Olza, Ruda, Bierawka, Kłodnica, Ilownica, Przemsza and other rivers as well as along a nearly 200-kilometer section of the Vistula and a 160-kilometer section of the Upper Odra.

Standing waters are deteriorating. About 300 lakes with a total surface area of 100,000 hectares and a volume amounting to 46 percent of Poland's total lake volume is polluted by industrial and communal sewage. In addition, 16 manmade reservoirs are also threatened by sewage pollution and nearly all of the pollutants in these reservoirs are from polluted rivers.

Subterranean waters have also been subject to the harmful effects of human activity. This activity has been manifested mainly in disturbances of the water table, the formation of sinkholes and deterioration of water quality. The bigger sinkholes have been formed in places like the Upper Silesian Industrial Region, Belchatow, Konin, and also in the area of the cities of Lodz, Radom and Lublin.

Pollution of surface and ground waters has a strong influence on the quality of drinking water. In 1980, SANEPID [Health and Epidemic Service] disqualified 45 percent of public wells in cities and 51 percent of those in the villages. The situation with domestic home wells is even worse: 49 percent of these wells in the cities and 66 percent of rural wells were disqualified. It has been estimated that there are presently about 120 cities under the threat of epidemic due to poor water quality.

The pollution of Baltic Sea waters has been caused by the discharge into it of organic matter of communal, agricultural and industrial origin as well as that of heavy metal toxic substances, plant pesticides, phenols, detergents, etc. Consequently, sea waters have been undergoing a serious change of chemical composition, especially a lowering of oxygen concentration in bottom water layers. The Gdansk and Puck gulfs are especially polluted.

The State of Atmospheric Environmental Protection

Despite the efforts that have been made, air purity has continually deteriorated. The overall emission of pollutants into the atmosphere in 1981 amounted to more than 12.0 million tons, 60 percent of which was discharged by industrial plants. In relation to 1975, dust emissions were reduced by 11 percent while gaseous emissions went up by about 60 percent. The most important problem is air pollution by SO_2 . In 1981, SO_2 emissions in Poland exceeded 4 million tons annually. This can be broken down nationally to:

-- SO_2 emissions per capita--120 kg per year;

--sulfur precipitation per surface area--14 t/km² per year.

These figures are worse than average global figures and vary greatly within particular provinces: from 170 t/km² annually in Katowice Province to 1.1 t/km² in Pila Province and 875 kg per capita annually in Katowice Province to 20 kg per capita in Ciechanow Province. This state is the result of progressively worse power fuels and the lack of equipment for removing sulfur compounds from plant fuels.

As a result of the growth in emission of pollutants into Poland's atmosphere, a correspondingly high concentration of them is occurring. It has been estimated that about 25 percent of the population is living in areas where atmospheric pollution has exceeded permissible norms.

The worst situation is in Katowice Province. The phenomenon of above-normal air pollution is not only more concentrated here but is also extensive. Nearly one million inhabitants of this province are exposed to poisonous and highly toxic dusts and gases whose concentration at this present time is well above standards and is steadily growing. It must be emphasized that the entire area, characterized by various degrees of the intensity of the threat of air pollution to human health, contains the nearly 2.6 million (about 70 percent) inhabitants of this province.

Large concentrations of SO_2 in the atmosphere has caused the precipitation onto the soil of an average of 8 tons of sulfur compounds per square kilometer annually in Poland and on about 10 percent of land surface, the annual precipitation exceeds 50 tons. In effect, there is occurring a steady acidization of the soil which has a harmful effect on its productivity. If strong actions are not taken to counter this, it may lead to complete deterioration of soils and the migration of certain harmful elements from the soil to food plants.

Along with the air pollution that is taking place throughout the country, there frequently occur on a local level, especially in regions of chemical, steel, aluminum, copper and zinc plants, catastrophic concentrations of such air pollutants as CS_2 , fluorine and heavy metal dusts.

One of the most important problems is also that the amount and efficiency of installed air protection equipment. 1980 data shows that out of 915 polluting plants, 87 percent were equipped with dust-trapping devices and the reduction

of dust emissions has grown, currently being 91.7 percent. On the other hand, the situation with gaseous emissions is very bad since only 11 percent of 897 polluting plants are equipped with environmental devices and the degree of gaseous emissions reduction has been reduced 11.4 percent since 1976. The work of mounted equipment leaves much to be desired as it is dependent to a large extent upon their technological condition and quality of maintenance.

Dust emissions have been effectively reduced at 150 plants and gaseous emissions were reduced at 17 plants.

Protection of Land Surface

In the years 1970-1981, cropland surface, according to geodesic evidence, was reduced by 500,000 hectares (according to agricultural lists, 633,000 hectares) and the figure for cropland per capita was reduced from 0.60 to 0.53 hectares. This is especially alarming in provinces with good agricultural conditions such as Zamosc Province, Wroclaw, Przemysl and Szczecin Provinces. It follows from this that the absolute command to protect land resources has not been followed in practice. The too-large demands for new industrial lands is tied to improper use of existing land reserves in industry and their uneconomical use.

An important role in partial recompensation for loss of croplands is played by recultivation of land devastated by industry and urbanization. In the years 1972-1981, 37,000 hectares of land was recultivated. In relation to cropland needs, this figure is not high enough, especially when one considers the fact that the pace of recultivation at the end of the 1970's was seriously retarded. Recultivation work is being done too slowly and not extensively enough. In 1981, 3,100 hectares were recultivated while the area of land coming out of exploitation was 60,000 hectares. The recultivation work conducted has to a small extent returned lands to agricultural production, the main effort being concentrated on reforestation. Presently, the most important problem is the recultivation of all outstanding exploited terrain, waste heaps, mined areas and landfills.

A factor limiting the range and qualitatively reducing the productivity of soils is erosion and drought. It has been assessed that the area threatened or significantly damaged by strong water erosion in Poland is about 2 million hectares. Observations have attested as to the intensity of this process and show that there is an annual 10 percent loss from loess slopes of 5 mm of the soil layer. The provinces most threatened by soil erosion are the Zamosc, Lublin, Bydgoszcz, Krakow, Chelm, Torun, Wroclaw, and Zielona Gora provinces. Areas threatened by drought make up about 5 percent of Poland's surface area. Included are 0.6 million hectares concentrated mainly in the central belt of Poland.

Soil degradation in Poland is also caused by its dehydration. It has been estimated that surface dehydration, mainly tied to mining, is occurring over an area of 75-85,000 hectares. At the same time, the irrigation of 15-20,000 hectares is being done in settled areas. Over one million hectares, i.e. as much as 82 percent of peat bogs, have gone into exploitation. If the present

melioration activity is continued until the year 2000, there will no longer be any of the peat bogs so necessary for maintaining the water balance.

Waste Management

One of the elements of land preservation is proper management of industrial and communal wastes by their neutralization or utilization as secondary materials.

In industrial plants in 1981 generating altogether more than 5,000 tons of wastes harmful to the environment, over 900 million tons were accumulated (altogether occupying about 9,500 hectares of dumps, waste heaps, landfills and settling ponds). Of this amount, 80 percent was concentrated in 6 provinces. Katowice Province held 373 million tons of the accumulated wastes, Legnica Province--174 million tons, Walbrzych--82 million, Krakow--56 million, Tarnobrzeg--34 million and Bydgoszcz Province held 33 million tons.

Eighty-eight percent of overall industrial wastes occur within city limits of Polish cities and 46 percent of this amount is found within the 7 cities of Walbrzych, Polkowice, Lubin, Gliwice, Krakow, Wodzislaw Slaski and Piekary Slaskie.

The greatest concentration of dangerous industrial, chemical and steel industry wastes has occurred in the provinces of Czestochowa, Krakow, Tarnow, and Walbrzych. The state of waste management in relation to its production is alarming. Out of 141 million tons of wastes produced in 1981, only 72 million were treated, barely 51 percent of the total. The methods of waste management are also not the best since the greater portion of them are used for landfill, etc. Large amounts of secondary materials useable in production have been lost in this way. This is an especially serious problem in certain provinces. In Katowice Province, nearly 78 million tons of waste were produced and only 75 percent of it was used for other production. Legnica Province correspondingly produced 22 million tons and put 2.7 percent of that to other uses and the same applies to the Krakow, Walbrzych, Jelenia Gora and Szczecin provinces.

Another source of environmental pollution is also communal waste amounting to 39 million cubic meters nationally. The greatest amount of communal waste is found in urban agglomerations and large cities such as the Katowice region, Warsaw and Lodz. In the last few years, utilization of communal wastes has been practically nonexistent. The sanitary conditions and placement of most landfills are very harmful and burdensome to the environment. Waste neutralization methods used at sanitary landfills do not meet the required technology, the main reason for which is the lack of proper equipment. There is a shortage of compost piles and incinerators. Under these conditions, an ever greater amount of wastes is being stored in forests, water reservoirs and streams.

A problem has been created by landfills located in rural areas which are poorly operated and lacking any authorization as to location or technical and operational regulations. These are predominantly small landfills, 0.5 hectares or less, unenclosed and without any means of preventing the spread of wastes.

State of Forest Protection

Regional differences in forest density are very considerable within different regions of Poland and have taken a very unfavorable shape. The forest densities range from 48.2 percent of Zielona Gora Province to 11.7 percent of Plock Province. This situation has been made even worse by the great degree of their dispersion which diminishes their beneficial effect on the entire natural environment.

In 1971-1981, about 27,000 hectares of forest land were handed over for other uses. About 50 percent of state forest land was taken over for settlement, industry and mining. It should be regarded as an alarming fact that only about 20 percent of this surface area represented thinly-settle forest terrain.

Industry has had an especially negative effect on the state of the forest environment and has damaged tree-stands over an area of about 0.5 million hectares (an increase of 50 percent over 1971).

The harmful influence of industry has been concentrated in the Katowice OZLP [District Administration of State Forests] where almost half of the damaged forest terrain in Poland is located. Within the Katowice Province, 100 percent of its forests are damaged with numerous examples of ecologically deforested zones (forest barrens).

Analysis of the disproportion of potential forest production capacities to their actual productivity reveal serious reserves (more than double). This has been brought about by the poor arrangement of tree-stands by species and age and also by their improper maintenance. Another harmful effect comes from tree-clearing beyond what is called for. The following figures give evidence of this:

--assignment of tree-clearing in state forests in the years 1950-1980 made for losses in soil resources estimated at about 115 million cubic meters (at the present time, the annual gain is about 20 million cubic meters);

--in 1973-1977, tree-clearing exceeded its needs by 3.8 percent and 30.5 percent in preclearing (a very bad phenomenon).

Other than the elements mentioned above, harmful insects such as the dandelion gypsy moth are a major factor, especially on the health of forests. In 1981, measures were taken to control the gypsy moth over an area of 1.8 million hectares, i.e., 21 percent of forest territory. Favorable conditions for harmful insects are connected with air pollution, hurricanes, disturbances of water ratios and timber left to rot in forests.

State of Conservation of Nature and Landscape

The total land surface under legal protection in Poland in 1981 was 1,747,700 hectares of 5.6 percent of its overall surface area.

Among natural areas under conservation, our national parks stand out. As of 31 December 1981, 14 national parks had been established with a total area of 125,200 hectares, 70 percent of which is forest. An area of 33,300 hectares is under strict control and 72 percent of this is forest land. The national parks take up about 0.4 percent of all land in Poland. In comparison to the amount of park land in other countries, this is rather small. Czechoslovakia, for example, has 1.25 percent of its area in national parks, Sweden—2.41 percent, England—5.38 percent and Japan has 6.4 percent.

Our natural parks are distinguished by their great variety of plant and animal species and their landscapes. They are also representative sites showing the typical dependency of the given region's fauna and flora. The existing national parks are distributed very irregularly throughout Poland. The park network does not include all of the most valuable and still-undisturbed regions. In addition, many parks are too small (2,000–5,000 hectares) which makes suitable protection against outside influences impossible. At the present time, the whole series of national parks fulfill various economic functions not in accordance with the decree on natural conservation. This has mainly effected the Kampinoski, Wielkopolski and Tatra parks. Three of our parks, the Babiogora, Bialowieza and Slowinski parks, have by UNESCO decision become included within the international network of biosphere reservations covering examples of protected types of the world's ecosystems for the preservation of nature and scientific research.

The next type of conservation is that of natural reservations, i.e. areas in which all of nature or particular elements (plant or animal groups) are protected along with fragments of the natural landscape. At the present time, we have a total of 780 reservations with a total area of 84,400 hectares, 0.3 percent of Poland's total land area. Floral and forest reservations are predominant. There are too few landscape reservations. The conservation of water complexes, presently only 8 reservations, is insufficient. It must be pointed out that the average size of Polish reservations is 100 hectares, one of the smallest in Europe (in Czechoslovakia—140 hectares, Holland—145, and the German Federal Republic—290). The same situation applies to the national parks.

Among lands being preserved for their unusual natural features and their high esthetic and tourist value are the landscape parks comprising 769,538 hectares or 2.5 percent of Poland's total surface area.

Protected landscape areas are a form of preservation that is supposed to assure the future of areas of potential value to tourist and recreational organizations. If they are to meet their purposes, they should cover at least 20–30 percent of our surface area and form a connected system based on natural conditions. Protected landscape areas ratified by 6 provincial peoples' councils on 31 December 1981 cover 769,172 hectares which is barely 2.5 percent of our land area.

An important part of the preservation of nature and the enrichment of our landscape is played by both living and nonliving natural monuments as unique and valuable objects of nature. By the end of 1981, 12,333 sites throughout Poland will be preserved as natural monuments.

Another form of natural conservation is the preservation of plant and animal species. The protection of plant species in Poland has two aspects: the protection of rare and endangered flora and protection of flora important to human needs. One hundred and twenty-four plant species are under complete protection. This includes 5 tree species such as the stone pine, the Ojcow birch and 9 species of bushes and shrubs such as the dwarf mountain pine, ivy and 110 species of green plants.

Several wild plant species important as medicinal or industrial raw materials have come under partial protection controlling their collection for the purpose of limiting their excessive and wasteful exploitation. This form of natural protection dictated by economic considerations requires the proliferation of new species and their regionalization.

The particular role of animals in biocenosis and the growing danger of complete ruin and extinction of several of their species has resulted in the extension of protection to 387 animal species, including all species of predatory birds. Aside from rare animals, some species that are relatively common but important to the equilibrium of ecosystems are also under protection.

Bison in Poland are especially protected. At this time, there are 593 of them in our country which is over 25 percent of bison remaining worldwide. Furthermore, chamois, bears and beavers are being protected. There have also been established protective measures for 35 species of fish and shellfish. Another type of animal protection is the introduction of seasons for trapping and fishing which will be in force throughout Poland.

The natural value of the above-mentioned forms of protection are endangered to a considerable degree by the development of industry, urban development, mining, intensification of agriculture and forestry and the increase of automobile use and tourist traffic.

Individual national parks are endangered in varying degrees. There is, however, not a single national park in which the effects of human activity are not very obvious. The lack of suitable protected areas in the majority of parks has made it practically impossible to effectively protect the natural value of these areas. In areas endangered partially or completely by industry, there are 95 nature reservations of an area of 3,913 hectares. Kielce Province has the largest number, which is 16 while Czestochowa Province has 15, Piotrkow Province--12, Krakow--10, Katowice--9 and Bielsko-Biala Province--8 reservations.

The result of harmful air pollution has been the dying out of a series of flora and fauna. Peat bogs are most threatened with physical extinction due to dehydration or bog exploitation. Over 80 percent of peat bogs have already become dehydrated and along with them there have perished many species typical of this environment.

Territorial Synthesis

Assessment conducted on the state of the environment has shown that air, water, soil and forest pollution has spread throughout the nation. This has

made it possible for us to distinguish areas in which the state of the environment is recognized as being especially dangerous to the ecological equilibrium or to human health. The following areas fall within this category:

--Regions of ecological endangerment which are the main regions concentrating the largest and most burdensome sources of pollution mainly by: sewage, dusts, gases and wastes. In these regions, the degree of accumulated environmental threat and the lack of effective activity and brought about multiple transgression of permissible environmental standards.

--Environmental pollution in ecologically endangered regions not only causes the lowering of the inhabitants' quality of life but also has a negative effect on agricultural, forest, tourist and protected areas. In Poland, we have distinguished 27 ecologically threatened areas, the most seriously endangered of which are the Upper Silesian and Rybnik Coal District and the Krakow, Gdansk and Legnica-Glogow regions.

--Regions of known natural value, threatened by disruption of the ecological balance and containing existing and projected national parks and landscape parks. As a result of water and air pollution (from even distant sources) and excessive tourist traffic, urban pressure and improper soil improvement procedures within these regions, there has occurred a weakening of the environment's natural resistance and of its self-regulation processes. Consequently, this had led to the disappearance of certain less resistant and less populous plant and animal species.

The most ecologically endangered national parks are the Babiogora, Ojcow, Karkonosze, Swietokrzyski, Wielkopolska and Peininy parks.

--Health resorts endangered by loss of their medicinal value distinguished on the basis of information on the state of the local environment. This mainly concerns water and spring management, air pollution, irrational exploitation of medicinal resources, excessive automobile traffic and disruption of the local microclimate. There are over 20 such health resorts in Poland.

Based on diagnosis of the state of the environment in Poland, we can formulate these two basic conclusions:

1. In the majority of ecologically endangered regions, the catastrophic state of the natural environment is the result of excessive concentration of economic activity. This demands above all that activity not directly connected with environmental protection be undertaken. This activity should lead to technological changes in industry, structural changes in economic enterprises and in the functional-territorial relationships in these regions. At the same time, there must be activities undertaken to directly serve protection of the environment such as the construction and installation of control and measurement equipment and apparatus, recultivation work, and the rebuilding of treestands. The complicated ecological and economic situation in these regions demands the development of programs particular to these regions in which the ultimate goal is improvement of the natural conditions of human life.

2. It is indispensable to introduce to the territorial administration plan an ecological system of protected areas which forms a harmonious relationship of great biological potential. The purpose of this is to provide a basic natural structure in our country. This system will serve the protection and creation of natural conditions for mass tourism and recreation and agricultural and horticultural production and will also influence the water and climate relationships in our country. Creation of such a system will create better possibilities for multifunctional development of particular lands and will limit the growth territorial settlement and transportation routes within designated ecological limits.

The proper functioning of the system requires maintaining its continuity, determining the appropriate size of the entire system and its particular elements and differentiation of the ecosystem. The foundation of the ecological system of protected regions should be formed from the existing and projected national parks and landscape parks as well as a decided majority of our nature reservations. Protected landscape regions will be the element connecting the most economically valuable lands.

Environmental Protection Service

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 11, 3 May 83 pp 40-42

[Article by Andrzej Walewski: "Environmental Protection Service: Organization and Missions"]

[Text] Environmental protection today, like other areas of our nation's economic and social life whose demands considerably exceed our possibilities for satisfying them, require the establishment of priorities. The planning of current tasks in environmental protection should consider the state of the environment in Poland (which threatens us with an ecological crisis), the economic crisis and the introduction of economic reforms.

Considering these conditions, I will attempt to determine the basic tasks of the central and provincial environmental protection services and also to relate them to the problem of their organizational model.

In the central government, the leading role in environmental protection is taken by the minister of administration, local economy and environmental protection as the central coordinating organ. This minister coordinates environmental protection activities and in its administrative procedure forms the superior authority over provincial environmental decisions.

Established in 1 October 1980 on the basis of the decree on protection and development of the environment, the State Environmental Survey is the central control subordinate to the minister of administration, local economy and environmental protection. This organ has as its basic assignment the enforcement of legal regulations and must also conduct studies and assessments of the state of the environment. The State Environmental Survey is still in its phase of development (in 1982, it had 119 stations).

The minister of administration, local economy and environmental protection is not the only central organ of the state administration having special authority in environmental matters.

Among the state administrative organs of the central government also having special authority, there must be included the minister of forestry and timber industry which is the supreme organ of the state administration in matters of environmental protection.

The minister of agriculture and food management functions as the supreme organ of the state administration of water management affairs, both in relation to problems closely connected with agriculture such as water improvement and rural water supply and projected problems of water preservation, i.e. its collection, availability and the protection of national water resources.

Among the other authorities on water management should also be considered:

--the minister of transportation conducting affairs such as planning the development of inland waterways and approving their navigability;

--the minister-director of the administration of maritime economy which has partial authority over problems of marine water protection;

--the chairman of the central office of geology which conducts affairs such as the search for and identification of ground water resources.

On the Provincial Level

The provinces take over the function of administration and control of environmental concerns in their territories by means of their own appropriate departments, bureaus and the provincial research and control centers subordinate to them.

The organizational state of the departments of environmental protection is very varied. Last year, environmental protection work in 29 provincial bureaus was done by departments. However, there is a noteworthy tendency (a correct tendency) to concentrate environmental protection affairs together with water management into joint departments independent of territorial management offices. Since 1980, 14 new departments of this type have been set up in certain provinces. It must be assumed that similar changes will be made elsewhere this year. At this time, 31 provincial environmental research and control centers are in operation in Poland and 18 independent work centers. These units employed 2,249 persons in 1981 including a cadre of 1,613 engineers and technicians.

Even an organization of environmental protection services characterized by its great dispersion arouses much reservation and should be improved.

What direction should these improvements take? It should be emphasized above that the structure of the organization should be the means and not the end. In numerous discussions within social organizations on the subject of

the best structure of environmental protection organs, this rule is frequently forgotten. In my opinion, we must clearly determine the current goals for environmental protection and establish the organizational structure of the administration in such a way that it could stimulate activity leading to realization of these goals.

Consequently, it seems justifiably necessary to concentrate the presently scattered concerns of environmental protection, water management and nature conservation.

It must be, however, remembered that we will not accomplish much by just changing the organizations. What is necessary most of all is the proper division of areas of competence and functional mechanisms for legal and ecological action and all of this should be established with knowledge and consideration of the laws governing what is to be protected, and thus the laws of nature.

Breaking the Impasse

The greatest cause of harm to the environment in recent years has been the negligible growth of environmental bureaus in proportion to the growth of industry. This disproportion is made obvious when one compares the investments made on environmental protection to those made in all other areas. The amount of investment received by environmental protection out of the overall NPSG [National Social and Economic Plan] for 1976-1980 was 1.23 percent of the total budget. This figure in particular years came to:

1976 - 1.21 percent,
1977 - 1.41 percent,
1978 - 1.25 percent,
1979 - 1.18 percent,
1980 - 1.05 percent,
1981 - 1.14 percent.

In relation to the figures called for in the "Plan for Environmental Protection Program to 1990," only 60 percent of the foreseen investment was received in 1976-1980.

The problem of insufficient investment funds was and is increased by low investment discipline and a lack of sufficient production in enterprises connected with environmental protection. This has brought about delay in realization of objectives, poor material results and lack of exploitation of financial sources.

Without any clear progress in investment activity, it is not possible to plan any real improvement of the environment. Arresting the processes of environmental deterioration would require investment at least three times greater than that of recent years and assurance that those investments be realized. Looking at the problem from a point of view of actual possibilities of our economy at this time of crisis, environmental protection is not realistic.

Increasing the effectiveness of environmental protection first of all demands either the elimination or the realization of fundamental difficulties which have made it impossible to fully realize previous investment which was to be done through the creation of specialized enterprises for the installation of air and water pollution devices.

Will Reform Help?

The basic conditions for realization of environmental protection activities are created by the economic reform. It is worth devoting somewhat more attention to the problem of the effects of economic reform on environmental protection. There are two categories of legal regulation concerning reforms which will clearly shape environmental protection activity. The first category is the general principles of reform from which the following are especially worth stressing:

--Limitation of the role of central planning. The majority of decisions concerning environmental investment will occur on the level of plant self-management. It is worth emphasizing that in the CPR for 1982, there are only 8 investments made on environmental protection (I am not counting water management investments in the area of water supply) and these are continuations. This shows the central plan's actual possibilities as conditioned by the economic crisis and the plan's function as conditioned by the reform.

--Considerable limitation of the role of economic agencies in relation to state organizations that are subordinate to them. Presently, the agency is the founding organ of enterprise and its influence, especially in the realm of planning activity and distribution of developed means in practice does not exist.

This sort of situation, diametrically opposed to the previous one in which this environmental protection policy was mainly formed by central planning and agencies, creates the need for considerably stronger action on independent plants by environmental protection services. There does exist a great danger that decisions made on the factory level, especially when reform stimulates tendencies to favor profits, will not take into consideration environmental protection needs.

The other category of legal regulations concerning economic reform is that of particular principles concerning environmental protection. These create, for the time being, a theoretical system of motivations for environmental activities of enterprises. There are two particular fundamental principles that directly concern environmental protection:

--Penalties for exceeding permissible concentrations of pollutant emissions are at this time charged against the plant profits. This is a basic motivation for plants to take action to limit their emission of pollutants into the environment. This may become essential, especially in connection with the adaptation of the Council of Ministers decree enforcing triple penalties at individual plants (ninefold penalties in Katowice Province). For example, there is an entire series polluting factories that within a year have paid

penalties on the order of dozens of millions of zlotys. At this time, such penalties (after their triple increase) will range between 30 and 50 million zlotys. For many plants, this is a great reduction of their profits. Furthermore, in view of actual regulations, the effect of penalties on plant profits is twofold. Thus, regardless of mechanism described above, penalties directly act upon the lowering of plant profits by deducting from them unsubstantiated costs and losses and these increase the tax assessment base for income taxes.

--If an enterprise realizes investments in the name of environmental protection, it may receive a tax break in the form of a deduction for 30 percent of the costs of that investment under the condition that the investment cycle not exceed 2 years and the general amount of the tax break not exceed 20 percent of the entire tax assessment. This is a very important regulation but its practical effect, as a stimulus for environmental investment, will not be great if the rigor of the 2-year cycle restriction (this regulation is currently in the process of being changed) is not changed.

What is lacking in environmental protection and in the legal regulations of economic reform? In order to assure effective motivation for environmental protection, there is also a need for preferential regulations of bank credit policy in relation to environmental investments to prevent industrial pollution.

Tasks of Environmental Protection Services

Against the background of the situation created by the state of the environment, the realities of our economic crisis and the conditions of the economic reform which has been introduced, the tasks of the environmental protection services are:

--Increasing control over plants that are a source of environmental pollution and increasing penalties. This is an essential condition for the achievement of economic reform results of a positive nature to the environment. As I attempted to point out above, it is hard to count on the ecological awareness of managers of independent enterprises. They must act under the pressure of controls and feel the economic effects of environmental pollution. To put it simply, there will not be any positive results of reform without efficient control;

--Improvement of control activity by increasing its expertise. This is a somewhat difficult and irritating subject since it touches upon the methods of control and the qualifications of services operating with great devotion under hard conditions. It must be said nonetheless that in many cases environmental control exercised in factories or by provincial services is of a complete or almost complete formal and legal character. It is limited to pollution sampling for the purpose of determining how far the concentrations exceed permissible values.

This "policing" form of control is of course necessary but there must be others as well. There is an urgent need concentrating control around elements of technical diagnosis. To put it more simply, aside from the statement that

pollution is bad (regardless of the consequences of penalties), it would be good to be able to say why it is and what must be done to improve the situation.

In order to explain why I consider environmental protection service activities to be necessary, I must refer again to the conditions created by the economic crisis and the reform.

First of all, in a situation where there is a shortage of means for realizing new investments in environmental protection, we must assure ourselves of the proper operation and best utilization of existing equipment.

Second, in a situation of limited funds and when particular enterprises are receiving the major part of financial investments, we must look for simple and inexpensive technical solutions and they do exist although they are little used. Practical activity has shown us that design bureaus are not interested in searching for such technical solutions. On the other hand, we are not expecting the industrial plants to hire a suitable number of engineers for purposes of environmental protection.

Thus the environmental protection inspector of the research and control center or PIOS [state environmental protection inspector] should not only be the one that assess penalties but he should also help solve technical problems.

In order to completely cover the subject, we must still point out what sort of basic conditions should be met so that the model of "creative control" will be a realistic one. In my opinion, there are two such conditions. The first is a system of rewards in environmental research and control centers which should be comparable to those in the production sector of industry and, second, the technical equipment of these centers should meet the demands of the work being done. Technical equipment does not mean expensive, hard currency-consuming control and measurement apparatus but means of transportation more than anything. It is true that the possibilities for realizing environmental investments are not sufficient but can we not at least designate several dozen cars throughout the country and fuel for them for the environmental protection services so that they can exercise efficient control over plant emissions?

--Improvement of legal means. This is a complicated task. This above all means the necessity of verifying and changing some of the environmental legal regulations in view of previous experiences in their application and the need for correlating the greatly changing regulations concerning other areas of the national economy.

Evident examples of the need for such changes are the already mentioned regulations of the level of payments and penalties and regulations determining the principle of managing special-purpose funds, i.e. the Environmental Protection Fund and the Water Management Fund.

On the matter of penalties paid by plants that exceed permissible "pollution loads," I feel that automatically raising penalties three times was an

appropriate measure but also a provisional one. We have to find a logical and rational basis for establishing penalties. I also feel that the increase of payments demands legal reconsideration. These payments, as opposed to penalties, do not have any meaning as a simple motivation and since they are regarded as production costs they become an element of price calculation. On the other hand, special-purpose funds (for environmental protection and water management and collected from payments and penalties) should become to some degree a source of environmental investment.

The stimulus for the decision of independent enterprises to invest in environmental protection equipment should be the possibility of receiving a non-interest appropriation from special-purpose funds. This is possible under the condition that changes in the structure of using these funds (presently their designation for research and monographs, etc. exceeds that for investment) should occur within the economic reform as the result of "self-regulation." However, the basic condition for putting this mechanism into operation is abolishment of the economically nonvital and gratuitous regulation that an appropriation from the Environmental Protection Fund for investment purposes be limited to 30 million zlotys per case. Legislation is being prepared to abrogate this limitation.

In speaking of improvement of legal means, I also have in mind the lower level of instruments of administration, namely the decision by voivodes determining permissible pollutant emission levels for particular plants.

Every plant discharging pollutants into the environment should, in view of the general regulations in force, have a provincial decision as to the amount of polluted water they are permitted to discharge.

As materials from MACTIOS have shown, out of 1066 plants designated as air polluters, 530 of them fell within the determined range of permissible emissions. The 304 plants shown to be the most polluting continue to exceed the established permissible emissions. In particular, improvement must be expected in the following provinces: Warsaw Capital, Katowice, Szczecin, Wroclaw and Plock.

There are only 11 provinces that either fully or partially meet the established permissible emissions at all of their plants. They are: Jelenia Gora, Kielce, Koszalin, Lublin, Olsztyn, Opole, Piotrkow, Rzeszow, Sieradz, Skierniewice and Tarnow provinces. On the other hand, in analyzing this situation in relation to plants that discharge their sewage into water, we obtain the following data: evidence gathered by the environmental protection services in 1981 includes 13,709 plants that were primary sources of surface water pollution. 7,616 plants fell within the legal range of pollutant emissions.

This data is a cause for alarm. Territorial state administrative organs on the provincial level should urgently work to see that all plants that are an essential source of pollution have an established permissible range of emissions. This is the basic condition making it possible to use penalties as an economical motivation.

--Standardization of control methods and measurement and analytical methodologies used in research centers and environmental control. This is one of the most urgent jobs for the State Environmental Protection Survey. This need comes from two basic preconditions. The first necessary condition is that of a proper, comparative assessment of the state of the environment in Poland and the degree of environmental danger within various regions of our nation. Second, such a need is the outcome of the results of economic reform. Thus, revaluation of the function of penalties will contribute to an increased tendency for penalized plants to take advantage of appealing their penalties. For that reason, there may not, on the part of the controlling institutions, be any doubts or discrepancies as to the methods used and the interpretation of results in legal proceedings.

Preference for Water Partnerships

In connection with numerous demands to reduce the financial obligations of water partnerships and their unions, they have been freed from the obligation of payment to FAZ, taxes on income and on their operating funds.

Furthermore, the water partnerships have been granted a 1982 state budget appropriation of 400 million zlotys for financing the costs of maintaining water treatment equipment. A large number of partnerships, however, still have great difficulties in carrying out their charter activities due to low cash income of their members. In 1982, the value of conservation work conducted by the water partnerships per one hectare were:

- Bydgoszcz Province	- 1037 zlotys
- Poznan Province	- 365 zlotys
- Torun Province	- 836 zlotys
- Wloclawek Province	- 389 zlotys

The national average for 1982 was 541 zlotys per hectare.

Chemical Pollution of Farming Area

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 11, 3 May 1983
pp 43-44

[Article by Leszek Karczewski: "The Danger Continues in Police"]

[Text] In the middle of the 1970's, farmers holding farms in areas closest to the Police Chemical Plant began to complain of damages to their crops and cattle. The complaints were first directed on the city and community level of government to the plant manager and the PZPR and ZSL committees. Although criticism in those years was not favorably regarded, the complaints did make their way up to the provincial authorities.

There also began to be talk of the threat to the natural environment in commission meetings and provincial council sessions. In the current period, 23 interpellations on this problem have come into organs of the city and community peoples' council. Members of the provincial peoples' council in Szczecin have also become involved many times. Finally, four times at least, deputies representing the Szczecin Province have submitted interpellations before the Sejm.

Problem Number One in Council's Work

The Commission on Health, Social Affairs and Environmental Protection of the Police City and Community Peoples' Council, in planning its work for 1981, took as its fundamental topic the endangerment and protection of the environment in the Police region. The council Presidium affirmed this plan and moreover, environmental protection became recognized as the number one subject of activity of all organs of the council for 1981. There has been planned for June of this year the organization of a session dedicated to the whole picture of environmental endangerment and protection. At every Presidium meeting preceding in the period preceding the session, the course of preparatory work was discussed. Following the session, the editing of the resolutions produced was advised and indications of ways to realize them.

The Health Commission consequently put through its program. The points of this program concerning environmental protection are: in March--discussion of preparations for the June session of the Police City and Community Peoples' Council on environmental matters; in May--the hearing of information from the chief technician and chief specialist on environmental protection of the "Police" Chemical Plant and SANEPID and control of the loyal realization of decrees ("Spring Review of Environmental Protection") in June--the discussion of local control results from May 1981.

In June there took place a session of the City and Community Peoples' Council which was dedicated to the entirety of environmental protection matters. No resolution was adopted at this session. The moment came when the discussion was broken off and the session was closed. The matter came up again in commission sessions where, on the basis of presented reports and conclusions from the discussion, a draft of resolution number XX/80/81 was written. The resolution was submitted to a Presidium session in September of that year where it was approved and on 30 September 1981, it was voted on and ratified at a session of the council. In September, there also took place an environmental audit in the region ("Fall Review of Environmental Protection").

There was planned for the second half of December a review of work reports, commission reports for 1981 and the adoption of the commission's work plan for 1982. However, this meeting did not take place until March 1982. For that year, the commission adopted a new chief work theme: matters relating to the development of employee garden plots. The principle was adopted that the subject of environmental protection go onto the permanent calendar of the commission's work, in May to come out as the "Spring Review of the Environment" and in November-December, the report on realization of resolution number XX/80/81 for the given year.

Losses Grow

The problem of environmental pollution in Police is the result of sewage, permanent waste heaps and the emission of pollutants into the atmosphere. The first two elements are an established threat, however, the existing waste treatment plant operates well enough and gypsum phosphate and iron sulfate wastes heaps are being correctly managed so that they are not an immediate danger.

On the other hand, many of the inhabitants of Police and the countryside adjoining the industrial complex there complain that the plant is polluting the environment.

The problem appeared in the middle of the 1970's when there was a change made in the raw materials used at the plant for production of phosphoric acid. Instead of the apatites previously used, the plant started using phosphorites while the technology and process apparatus remained unchanged. At first, the inhabitants of Police began to complain about increased gas emissions causing headaches. Later, farmers in neighboring villages noticed the burning up of grain in the fields and grasses in meadows.

Foresters were noticing increased losses in treestands in the so-called Endangered Zone One, increased dehydration and decreasing annual tree growth, and pine tree needle loss. It was true that the remainder of pine forest was dying off but that was happening on land bought for factory construction. Mushroom gatherers noticed the disappearance of mushrooms in woods surrounding the plant grounds over an area that was increasing every year.

At the end of the 1970's, farmers noted the first cases of poultry and sheep death and especially a strange disease among their cows that they began to call "the crippling." Progressive farmers in the village of Wienkowo were keeping an exact journal of everything happening on their farms.

At the beginning of the 1980's, there were new signs: in the villages of Wienkowo and Tatynia, geese driven out to the fields were falling when "smoke came from the plant" the day before. Among the cows there was noted massive infertility and miscarriages. Along with the increase in cases of "the crippling," skin diseases started showing up among cattle.

In 1980, the forest services put out the alarm: an extraordinary inventory of damages was taken which showed that in the Endangered Zone One, damages were doubled over one year to an area of 735 hectares. Zone Two damages appeared in 103 hectares and Zone Three damages covered an area of 37 hectares. The phenomenon was spreading and was not caused by insects. The first zone crossed over into the second, and the second into the third. In the language of foresters, Zone Three endangerment means "cut the woods down!" Starting in 1979, in the Trzebiez Forest Administration, planned tree-fellings were halted since woodcutting teams could barely manage to keep up with the number of trees that had dried out. As of May 1982, 35,000 cubic meters of timber had been cut in this way and as of 1 November 1982, this figure rose to 50,000 cubic meters.

The tempo with which forest damages were increasing meant the beginning of an ecological catastrophe.

These losses were not limited to the Trzebiez District. On forest land of the Goleniow Forest Administration across the Odra River from the Police complex, damage to treestands were noticed even earlier. As much as 600 hectares of the "most productive" treestands, 50 to 120 years of age, were in the Endangered Zone Three. By the end of 1979, losses here came to 65 million zlotys (in the Trzebiez Forest Administration, they amounted to "only" 7 million).

The problems of environmental endangerment at Police had been known for a long time within scientific circles in Szczecin. In every one of the institutes of higher learning there, an attempt was made to do something about this. Systematic research, however, was never conducted. There were no funds for it. In the second half of 1980, there was an exchange of scientific information on this subject. At the Szczecin division of PAN, there was created the "Coordinated Group for Environmental Protection Research." This group published its report in 1981.

Is There No Solution?

According to Sejm interpellations made by T. Stadniczenko and W. Czyzewski, MAGTIOS set up a special Group for Assessment of the Endangerment of Human Health and the Environment in the Region of the Police Chemical Plant (order number 9/81, 1 June 1981). The commission held three sessions dedicated to the subject of sewage, permanent wastes and atmospheric pollution. The fourth and final session planned for 17 December 1981, never took place. Since then, the commission has not taken up its activities again.

On 19 November 1982, an unprecedented event took place in Szczecin. Legal proceedings instigated by the League for the Protection of Nature were begun in the Provincial Court there against the Police Chemical Plant for "...the protection and rational shaping of the natural environment" (a discussion of the charges entered and the course of the proceedings is found in PRAWO I ZYCIE, no 35/1982 and 4/1983).

Here and there there are still attempts made to discuss whether the Police region is really being poisoned. The most authoritative opinion comes from information of the Szczecin governor, given in writing BRN-VIII-073/64/396/80 on 28 November 1980 in answer to an interpellation by the provincial peoples' council member Zdzislaw Mazur:

"Emission measurements taken within an area 3 kilometers from the plant have shown a considerable concentration of harmful substances in the air. Concentrations of sulfuric acid vapor exceed the norms by 15 times, there is a 17-fold overconcentration of fluorine, and a threefold concentration of ammonia. In the area in which the systematic emissions measurements were taken, the communities of Police, Jasienica, Tatynia and Trzeszczyn were located.

"Introductory research conducted by institutions of learning in Szczecin have shown that several species of plants are dying due to atmospheric pollution by the Police Chemical Plant and the laminae of leaves, beets, potatoes and rye are being damaged. The sulfur and fluorine content in ordinary pine needles has increased and emitted pollution may also have a negative effect on the health of humans and cattle (research in progress).

"With regard for the great state of environmental endangerment in the Police plant region, the Szczecin division of PAN in 1976 published a decision on permissible emissions. This decision orders the plant to take up a series of activities to limit its emissions. They are:

- "the introduction of double conversion in its sulfuric acid works;
- "introduction of fluorine compounds absorption in its phosphoric acid works;
- "introduction of ammonia compounds absorption in its ammonia works;
- "installation and operation of automatic emissions and imissions measurement;
- "management of an established protected zone."

To put it briefly, this quote shows the state that existed at the end of 1980. What was written then is true down to the smallest details in the middle of 1983. It is known today that the environmental protection program at the Police Chemical Plant will be behind planned schedules until at least 1986. On the other hand, the environmental danger in areas directly adjacent to the plant continues to exist and it seems that it will never be possible to completely eliminate it even with the best equipment. In connection with this, the public opinion of our region awaits an answer to old and repeated questions:

--When will the results of research by the Interdepartmental Commission set up by MACTIOS order no 9/81 be made public?

--When will farmers, immediate neighbors of the plant, receive results of scientific research which will let them know what they can plant and raise to develop their agricultural productivity?

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UNIFIED CRITERIA ON FOREIGN LOANS IN 1983

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 30, 17 Jun 83 pp 933-936

[Text] On the basis of Article 85 of the law amending and supplementing the law on foreign-exchange transactions and credit relations with foreign countries (SLUZBENI LIST SFRJ, No 77/82), the Assembly of the Interest Collective of Yugoslavia for Economic Relations with Foreign Countries hereby establishes the following:

Unified Criteria

On Contraction of Foreign Loans and Approval of Foreign Credit in 1983

I. Introductory Provisions

Article 1

The Unified Criteria on Contraction of Foreign Loans and Approval of Foreign Credit in 1983 (hereinafter referred to as the "Unified Criteria"), pursuant to the Law on Foreign-Exchange Transactions and Credit Relations with Foreign Countries (hereinafter referred as the "law"), constitute the basis on which basic and other associated labor organizations and other public juristic persons may contract loans abroad or on the basis of which they may approve credit for foreign countries. The extent of indebtedness of borrowers, the possibility of repayment of existing and new credit in foreign exchange, and the level of indebtedness of the country, in particular, have been taken into account in establishment of the Unified Criteria.

Article 2

Contraction of loans abroad or approval of credit for foreign countries by the National Bank of Yugoslavia, sociopolitical collectives, and the Federal Directorate for Trade in and Reserves of Special Purpose Products will be regulated, pursuant to the law, by a special law or special decision adopted on the basis of law.

The law or decision adopted on the basis of the law as provided in the first paragraph of this article will also establish the sources of funds for discharge of the obligations deriving from these credit transactions.

Article 3

The Unified Criteria will be established in keeping with:

- 1) The Resolution on the policy of implementation of the Social Plan of Yugoslavia from 1981 to 1985 in 1983;
- 2) The Decision on the Common Foreign-Exchange Policy of Yugoslavia for 1983;
- 3) The Decision on Establishment of a Unified Projected Balance of Payments and Foreign-Exchange Balance for Yugoslavia for 1983.

Article 4

The Unified Criteria will be applied to all basic and other associated labor organizations, self-managed interest collectives in the sphere of material production, and all banks authorized to engage in transactions with foreign countries which contract loans abroad or which approve credit abroad (herein-after referred to as "natives").

Article 5

The basis adopted in establishment of the Unified Criteria is represented by the extent of utilization of foreign credit as determined by the unified projection of the balance of payments and the unified projection of foreign-exchange balance, which constitutes the upper limit of utilization of credit by all persons involved in credit relations in Yugoslavia, and by the level of the credit guarantee potential of banks authorized to engage in transactions with foreign countries up to which such banks may conclude credit transactions with foreign countries.

II. Contraction of Loans Abroad

Article 6

Priority in contraction of loans abroad will be assigned to imports which result in a higher total foreign-exchange income from a convertible currency region, insure the necessary liquidity in international payments, and permit implementation of the unified projection of the balance of payments and foreign-exchange balance of Yugoslavia.

Article 7

Natives may establish new credit relations with foreign countries only if they have discharged matured obligations toward foreign countries, and on the condition that they are able to secure repayment of such credit in the manner specified in Articles 12 and 13 of these Unified Criteria.

Article 8

Natives may obtain credit abroad for imports of raw materials and reproduction materials, provided that such raw materials and reproduction materials are used:

- 1) for production of goods and services for export to a convertible currency region;
- 2) for rational replacement of imports;
- 3) for needs of broad social significance.

Article 9

Natives may obtain credit abroad for imports of equipment within the framework of regulations in force governing imports of equipment in 1983, provided that such equipment is used:

- 1) for completion of facilities whose construction is in the concluding stage and increase production for export to a convertible currency region or effect rational replacement of imports;
- 2) for elimination of bottlenecks in production for export;
- 3) for more rapid development of the Social Autonomous Province of Kosovo in 1983 out of the total of indebtedness of the country, the Socialist Autonomous Province of Kosovo being permitted by way of exception to import on credit specific equipment which is not produced in the country and is intended for completion of crucial facilities in the sphere of the electrical industry, nonferrous metallurgy and agriculture, and of processing capacities which are built by polling of labor and resources which contribute toward production of goods for export and replacement of imports;
- 4) for replacement of equipment destroyed through the action of natural disasters (earthquakes, floods, fires) and by ship and aircraft accidents;
- 5) for the needs of more rapid development of the economically underdeveloped republics and the Socialist Autonomous Province of Kosovo.

In the obtaining of credit in accordance with the provisions of the first paragraph of this article, priority will be assigned to imports on credit which result in achievement of a greater net foreign-exchange effect and permit more extensive utilization of domestic sources of raw materials.

Natives may import ships and aircraft on mortgage credit, provided that such imports result in positive effects in exports or net foreign-exchange income and provided that such mortgage credit is repaid exclusively out of income earned through use of such ships or aircraft.

Before concluding a credit contract for imports of equipment, natives must prepare a proposal which establishes, by an internationally recognized method, the profitability of the project and the potential for placement on the foreign market. The bank authorized to engage in transactions with foreign countries which approves the credit and guarantees it must verify the proposal and give its concurrence therewith.

Article 10

On the basis of Article 9 of the Unified Criteria, new credit may be concluded by natives who:

- 1) adopted a plan of development from 1981 to 1985 which provides for construction, expansion, modernization, or replacement of capacities or parts of capacities for which importation of equipment on credit is required;
- 2) coordinated a plan of economic relations with foreign countries in a self-managed interest collective for economic relations with foreign countries within which the need is expressed for importation on credit of the equipment which is required.

Article 11

Natives may obtain credit abroad for execution of investment projects abroad in accordance with regulations promulgated on the basis of Federal Law, provided that the users of the credit ensure repayment of such credit.

Article 12

Natives may contract loans abroad on the condition that a bank authorized to engage in transactions with foreign countries establishes the dinar and foreign-exchange ability to repay the credit, and if discharge of the obligations resulting from the credit is insured by the credit guarantee potential of the bank authorized to engage in transactions with foreign countries.

Natives who earn no foreign exchange or who earn insufficient foreign exchange may contract loans abroad under the conditions set forth in these Unified Criteria only if they have first concluded a self-management agreement pursuant to Article 68 of the law establishing the sources of funds for repayment of the credit, or if they have foreign exchange for repayment of the credit secured pursuant to Article 69e of the law.

Article 13

A bank authorized to engage in transactions with foreign countries will issue a statement confirming and guaranteeing that a basic or other associated labor organization or self-managed interest collective in the sphere of material production meets the requirements set forth in Article 12 of the Unified Criteria or that the organization or collective has foreign exchange available to it for repayment of the credit which it intends to obtain:

- 1) Pursuant to Article 69a of the law;
- 2) On the basis of a self-management agreement concluded pursuant to Article 68 of the law and an authorization whereby an associated labor organization which pools foreign exchange pursuant to Article 68 of the law empowers the bank with which it maintains a foreign-exchange account to employ all foreign-exchange income available pursuant to Article 69a of the law for settlement of the obligation connected with this authorization;

3) On the basis of a statement by the self-managed interest collective for economic relations with foreign countries in the republic or autonomous province to the effect that funds for repayment will be secured by foreign exchange pooled pursuant to Article 69e of the law, if repayment of the credit is not due during the current year.

The statement specified in the first paragraph of this article constitutes an integral part of the documentation which is submitted to the National Bank of Yugoslavia for the purpose of obtaining consent for registration of a credit transaction.

Article 14

Natives may replace credit obtained earlier with new credit under more favorable conditions (through refinancing) and improve the conditions of foreign credit obtained from the same creditor (through rescheduling).

Article 15

Natives may contract credit with the IBRD, the International Finance Corporation, the European Investment Bank, EUROFIME, and the Fund for Reintegration, primarily for the following purposes:

- 1) for structural adjustment;
- 2) for imports of raw materials for artificial fertilizer;
- 3) for development of coal mines;
- 4) for testing and prospecting for petroleum;
- 5) for production and transmission of electric energy, and prospecting for and exploitation of energy raw materials;
- 6) for construction and modernization of railroads and for procurement of railroad rolling stock;
- 7) for construction and rebuilding of arterial roads;
- 8) for development of agriculture, forestry, water resource management, and small-scale industry;
- 9) for production which is intended for exportation to a convertible currency market or for exportation oriented toward the creditor.

Additional joint financing funds may be secured on the international capital market in accordance with the provision of Article 9 of the Unified Criteria for projects for construction of priority facilities in the financing of which the IBRD and the European Investment Bank participate.

III. Approval of Foreign Credit

Article 16

In approving foreign credit, natives will endeavor:

- 1) to promote foreign trade and other forms of economic cooperation with foreign countries, as well as try to increase exports of goods and services to a convertible currency region;
- 2) to strengthen the competitive ability and more successful performance by Yugoslav industry on the international market;
- 3) to improve conditions for exportation of goods and services increasing foreign-exchange income and transfer of technology, know-how, and planning and design;
- 4) to improve conditions for marketing of domestic equipment and ships and execution of investment projects abroad.

Article 17

Natives may extend short-term, medium-term, and long-term commercial and commodity credit to foreign countries for the purpose of promoting exports of goods and services, primarily exports of equipment and ships, and for the purpose of executing investment projects abroad, performance of research work, and preparation of studies and projects.

Article 18

In approving credit for foreign countries, natives will ensure collection of claims based on such credit.

IV. Special Provisions

Article 19

Basic and other associated labor organizations and self-managed interest collectives in the sphere of material production will contract loans abroad and approve credit for foreign countries through banks authorized to engage in transactions with foreign countries.

As the main coordinators of contraction of loans abroad by basic or other associated labor organizations and self-managed interest collectives in the sphere of material production, banks authorized to engage in transactions with foreign countries have special obligations and responsibilities in implementation of the policy of credit relations with foreign countries. In performing the function of coordinator in contraction of loans abroad and granting of credit abroad, banks authorized to engage in transactions with foreign countries may combine the credit demand or supply of basic and other associated labor organizations and self-managed interest collectives in the sphere of material production and operate abroad as a consortium together with other banks, concluding an agreement for this purpose within the Association of Banks of Yugoslavia.

Article 20

Basic and other associated labor organizations and self-managed interest collectives in the sphere of material production will submit to the bank authorized to engage in transactions with foreign countries a written credit order expressing the intent to conclude a credit transaction with a foreign country.

The bank authorized to engage in transactions with foreign countries will examine the credit order and, if it finds that all the requirements set forth in these Unified Criteria have been met, will issue the statement specified in the first paragraph of Article 13 of the Unified Criteria, within the framework of the established range of its own credit guarantee potential. If it is a question of a credit order for importation of equipment, the bank authorized to engage in transactions with foreign countries must effect verification in accordance with Article 9 of the Unified Criteria.

The bank authorized to engage in transactions with foreign countries on behalf of a basic or other associated labor organization or self-managed interest collective in the sphere of material production will submit the credit order to the National Bank of Yugoslavia, together with the documentation specified in the second paragraph of this article, for the purpose of obtaining concurrence for conclusion of the credit transaction.

V. Concluding Provisions

Article 21

The Unified Criteria and the Procedure for Conclusion of Self-Management Agreements specified in Article 141 of the Law on Foreign-Exchange Transactions and Credit Relations with Foreign Countries from 1981 to 1985 (SLUZBENI LIST SFRJ, No 4/81) will be rescinded on the day on which these Unified Criteria enter into effect.

Belgrade, 28 January 1983

[Signed:] Tvrtko Nevjestic of the Assembly of the Interest Collective of Yugoslavia for Economic Relations with Foreign Countries.

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CSO: 2800/346

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DATE FILMED

August 11, 1983